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No.31,061 • FINANCIAL TIMES 1990

Tuesday January 30 1990

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## World News

### Azerbaijanis, Armenians to meet for peace talks

The warring nationalist groups of Azerbaijan and Armenia agreed to begin peace negotiations under the auspices of the Baku Council, an organisation comprising the three informal nationalist groups there.

Representatives of the Azerbaijan Popular Front and the Armenian National Movement will send representatives to the Baku Council, the two sides are due to hold separate talks with Baltic mediators tomorrow and to meet face to face on Thursday. Page 2

### Srinagar tensions

Srinagar, the capital of India's north-west state of Kashmir, remained tense as anxieties increased in Islamabad about a possible clash between India and Pakistan. Page 4

### Soviet farm output

A picture of sluggish Soviet farm output despite ever-larger cash injections was published on one of Mr Mikhail Gorbachev's most important policy areas. Page 18

### Attacks in Bucharest

Thousands of pro-government factory workers in Romania attacked the offices of leading opposition parties in Bucharest and the Government accused its critics of having tried to stage a putsch. Page 2

### Allies differ

A clear difference of opinion has emerged between West Germany and its main Western allies, especially the US and Britain, over East Germany's military status in a future united Germany. Page 2

### Pull-out from Jaffna

Indian troops have pulled out of Jaffna in Sri Lanka, leaving the northern town in the control of the Tamil Tiger guerrillas they fought for more than two years. Page 2

### US advisers drafted

US military advisers have been drafted in to help Liberian government troops fight a rebel incursion amid claims of army atrocities committed against civilians. Page 4

### Bulgarians divided

Bulgaria's ruling Communist party opens its congress against a background of bitter infighting between several factions which could lead to a formal split. Page 2

### Italian media strike

Italy's radio, TV and print journalists staged a 24-hour strike in support of their demand for early parliamentary approval of a law to regulate concentration of ownership in the mass media. Page 2

### Poland scraps Party

Poland's once-powerful Communist party disbanded at a special congress after delegates voted to form a new social democratic party.

### Coup leader caught

Philippine troops captured a top coup leader, dealing a blow to army rebels who have sought to overthrow President Corason Aquino.

### Memoir bugged

Argentine anti-espionage teams have discovered bugs on all the telephones at President Carlos Menem's official residence. Page 6

### Albanians riot

Ethnic Albanians clashed with police in Yugoslavia's southern province of Kosovo where at least 14 people died in gun battles at the weekend. Belgrade TV reported.

### Le slippery slope

La cover-girl, le cow-boy and le cricket have been officially admitted to the French language as the Alliance Francaise, gave a little more ground to the encroachment of English.

## Business Summary

### Panama to step up fight against cash laundering

Panama's banking regulations are to be amended to prevent the use of the country's offshore financial centre as a money-laundering point for proceeds from international drug trafficking.

President Guillermo Endara announced the changes during a visit by the US Vice President Dan Quayle. Page 18

APPLE Computers is facing a shake-up of senior management after disappointing results and the resignation of Allan Z. Loren, president of the company's US sales and marketing unit. Page 19

FERRANTI International will be seeking damages of \$400m (\$660m) in its negligence claim against West Marwick McIntosh, the former auditors of International Signal & Control.

CARLO De Benedetti wants to negotiate his exit from the battle with Mr Silvio Berlusconi for control of Mondadori, the Italian publishing group, if he and his allies can retain the group's main newspaper and magazine titles. Page 19

ABC BANK, Norway's largest savings bank, said preliminary 1989 figures indicated net profit of Nkr240m (\$150m) against a 1988 loss of Nkr570m. Page 20

CONSOLIDATED Metallurgical Industries' sales and profits fell sharply in the six months to December because of falling international demand for stainless steel. Page 22

SWEDEN's banking sector started a lockout and strike over pay levels but businesses said they could weather its immediate effects. Page 2

METALLURGISCHE WERKE, West German engineering, metals and mining group, signed its second contract with East Germany since the border was opened. Page 3

BANK of England guidelines set by the Bank of England have increased the cushion banks are required to hold against Third World debt. Page 12

AZT, drug made by Wellcome of the UK, is to get approval by US Food and Drug Administration. Page 6

ML Media Opportunity Partners, a US media venture capital fund established by Merrill Lynch, has set up a venture to look for media investments in Europe. Page 12

SUMITOMO of Japan leads a consortium which has won a \$305m contract to build the first two units of a proposed 2,000MW coal-fired power plant in East Java. Page 3

SWITZERLAND last year accounted for half the value of world watch and movement production, according to the federation of the Swiss watch industry. Page 3

KELT Energy, the UK independent oil and gas company, has named Mr Jock Green-Armytage as chief executive and joint chairman. At the same time as it unveiled a \$100m (\$1.75m) pre-tax loss for the six months to end-September 1989. Page 25

WESTLAND of the UK plans to bid for overall responsibility for the Royal Navy's E8101 Merlin helicopter if the Ministry of Defence opens the job to competition. Page 12

ASCOM Holding, Swiss telecommunications group, said consolidated group sales in 1989 jumped 10 per cent to SF2.64bn (\$1.76bn) against SF2.4bn for 1988. Page 20

BLACK & Decker, US power tool company, reported a loss in the quarter ended December despite a 60 per cent increase in sales to \$1.1bn from \$705.5m.

NEWMAN Tonks, Birmingham-based architectural hardware group, has bought two Belgian partitioning systems suppliers for up to BF68.97m (\$1.5m) cash. Page 26

## Bush budget faces strong opposition from Democrats

By Peter Riddell, US Editor, in Washington

THE BUSH Administration's budget proposals yesterday faced an immediate challenge from Democratic Congressional leaders that they relied on over-optimistic economic assumptions and controversial cuts in domestic programmes in order to reduce the Federal deficit.

There is little prospect of an early agreement between the White House and Congress over the budget, following bruising battles last autumn. While not dismissing the budget outright, as sometimes happened during the Reagan era, Congressman Richard Gephardt, the Democratic House Majority leader, yesterday forecasted a lengthy debate when he argued for bigger cuts in the defence budget and smaller savings in domestic programmes.

The 1,500-page budget document sets out proposals intended to cut the US budget deficit from an expected \$123.5bn in the current fiscal year to \$83.1bn in the 1991 fiscal year starting this October — without introducing any major new taxes. The plans also project a balanced budget by fiscal 1993 as laid down in the Gramm-Rudman deficit reduction law.

The plans are dependent on continued economic growth. Total output is expected to grow in real terms by 3.5 per cent during 1990 and by 3.5 per cent in 1991, higher than the Congressional Budget Office's forecast of 1.8 per cent expansion this year.

Mr Nicholas Brady, US Treasury Secretary, and Mr Michael Boskin, president of the council of economic advisers, defended the forecasts. They both expressed confidence in a rebound later in the year.

Of the \$36.5bn in specific budget measures, only about a sixth reflects savings in defence. More than a third represents a variety of minor tax increases and changes, including the expected 10% boost for reducing capital gains tax. The rest comes from cuts in domestic programmes.

The biggest debate will be over defence spending — projected to decline by 2 per cent a year in real terms until the mid-1990s — with Democrats already urging a far-reaching reappraisal in the light of changes in eastern Europe.

The budget also contains measures aimed at raising the level of personal savings, including both a sliding scale of lower taxation on longer-term capital gains and tax incentives for long-term family savings. After an indecisive battle last year over capital gains, a cut looks likely to be enacted this year and Congressional leaders have already promised a savings package.

A related battle is likely over the financing of social security following proposals made a month ago by independent-minded Democratic Senator Daniel Patrick Moynihan for a cut in the social security payroll tax paid by employers and employees.

The Administration has put forward its own proposals for safeguarding the social security fund for future retirees as well as separate ideas for strengthening the Gramm-Rudman deficit reduction law.

Controversy is also likely over a proposed 11 cent fee on futures market transactions. Congressman Robert Michel, the Republican Minority leader in the House, yesterday warned of the danger of "chasing" transactions overseas. Mr Michel comes from Illinois, home of the leading US futures markets in Chicago.

Budget details, Page 8

## MAIN POINTS

- Federal Budget deficit projected at \$83.1bn in fiscal 1991.
- Total spending of \$1,228bn.
- Defence budget cut by 2 per cent in real, inflation-adjusted terms, with plans for base closures, cutting army divisions and mothballing two battleships.
- Wide-ranging cuts in Medicare health payments to doctors, Amtrak rail subsidies and commodity price support programmes.
- Reduction in long-term capital gains tax on a sliding-scale basis and new incentives for personal savings.

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to the Pentagon's negotiating tactics with Congress over this year's defence budget.

By earmarking more than 69 military bases in the US, Mr Cheney is hoping to gain leverage over members who are calling for bigger defence cuts but who are unwilling to support savings in their home districts. The proposed realignments abroad concern either minor or soon-to-be obsolete bases which will have to be sacrificed to balance the domestic reductions.

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Mitchell Fromstein: magnanimous in victory

## Fromstein takes Blue Arrow to US

By Vanessa Houlder in London

MR Mitchell Fromstein, chief executive of Blue Arrow, yesterday took the combined employment agency full circle.

In a move that finally reverses Blue Arrow's audacious \$1.3bn acquisition of Manpower in 1987, the combined employment agency will revert to its original name and its headquarters will return to the US by the middle of the year.

The company yesterday also announced a fall in pre-tax profits, the abandonment of this year's final dividend and a \$675m (\$1.13bn) US charge relating to goodwill write-offs.

"The roads all lead to the company returning to what it was before it was acquired," said Mr Mitchell Fromstein yesterday, the original president of Manpower.

He replaced Mr Tony Berry, architect of Blue Arrow's meteoric rise, as chief executive in a boardroom putsch a year ago.

Most of the non-Manpower businesses, which account for 22 per cent of the total, are likely to be sold, Mr Fromstein said. He was magnanimous in

victory. "I have always had an amicable relationship with Mr Berry," he said.

The decision to return the company to the US reflects the increasing dominance of US investors, which now account for 65 per cent of the shares.

Mr Fromstein said that this rekindling of interest by institutions which were familiar with Manpower followed his reinstatement a year ago.

In order to comply with US regulations, Blue Arrow has made a \$267m charge in its US accounts, to account for the goodwill associated with the purchase of Manpower.

Blue Arrow also announced it was passing its dividend, as a result of exhausting its distributable reserves.

This stemmed from provisions of \$33m, made to cover the fall in value of non-Manpower subsidiaries bought in 1986 and 1987.

Blue Arrow's results also bore the scars of the controversial \$25m loan made in December. Continued on Page 18

Lex, Page 24; Analysis, Page 26

## Modrow paints grim picture of E German economy

By Leslie Collett in East Berlin

MR HANS MODROW, East Germany's Prime Minister, yesterday painted a sombre picture of a country in which law and order and the economy were disintegrating.

In a speech to the Volkskammer (parliament) explaining why elections had been brought forward by nearly two months to March 18, Mr Modrow said: "The economic situation is worsening alarmingly. The strikes, slowdowns and other disturbances are leading to serious breakdowns in production."

Mr Modrow said workers were demanding increases of DM40bn (\$23bn at the official exchange rate) in wages and benefits which, if approved, would threaten the existence of East Germany. Many local and district governments had collapsed or could not operate in the face of anti-Communist rallies as well as attacks on officials and bomb threats.

"Law and order are being increasingly challenged," he noted. The debilitating emigration of East Germans to West Germany — nearly 2,000 a day — was also continuing.

"All appeals by the Government have not been able to stop this hemorrhaging of the population," he said.

Prime Minister Modrow gained approval of his Communist-led Government's agreement on Sunday to form a "grand coalition" with 10 opposition groups.

In the Cabinet of "national responsibility" to be set up shortly, non-Communist ministers will be in the majority for the first time in 40 years. They will be without portfolio although their vote will be needed for all government decisions.

Opposition groups made plain that they were anything but triumphant over having gained a large share of power at such a critical moment for the country. They said it would be extremely difficult to build effective party leadership for the elections, moved forward from May 6.

In a debate by the round table group on East Germany's poisoned environment, government officials said no more nuclear generating capacity would be installed and existing reactors at the Greifswald Continued on Page 18

Military status splits allies; Romanian offices ransacked, Page 2

## WARRINGTON RUNCORN

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## ENGLAND'S CENTRAL PROPERTY PORTFOLIO

On the 1st October 1989, the Commission for the New Towns took over responsibility for the industrial and commercial property assets of the Warrington-Runcorn Development Corporation and opened its offices for the nation's most central location in Warrington.

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## Hitting the headlines for all the wrong reasons

# Hitting the headlines for all the wrong reasons

Alastair Morton, joint chairman of Euro-tunnel, makes no secret of his views that poor productivity by UK contractors has helped push up costs of the Channel tunnel by nearly one-half to £7bn. Others disagree.

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## EUROPEAN NEWS

## PRO-GOVERNMENT WORKERS RANSACK OFFICES IN ROMANIAN CAPITAL

## Bucharest mob attacks opposition

By Victor Mallet in Bucharest

THOUSANDS of pro-government Romanian factory workers attacked the offices of leading opposition parties in Bucharest yesterday and the Government accused its critics of having tried to stage a putsch on Sunday.

Some party offices were vandalised in the early hours of the morning and the National Liberal Party abandoned its headquarters in the city centre to the protesters.

Mr Corneliu Coposu, leader of the National Peasants' Party, was evacuated from his office in an armoured car after Mr Petre Roman, the interim Prime Minister, made a vain appeal to the crowd for calm.

The workers had been bussed in by the authorities from the industrial areas of Bucharest and from as far away as Constanta, on the

Black Sea, for a pro-Government demonstration at the headquarters of the ruling National Salvation Front in Victory Square.

The protesters, however, apparently exceeded their brief by ransacking opposition premises. There were fights between the NSF's supporters and opponents in the streets. "Down with parties!" said one placard, in an ominous message for those Romanians who have accused the Front's ex-Communist leaders of hijacking the revolution.

Mr Coposu said his party would probably abandon negotiations on power-sharing with the Front, which were due to resume on Thursday.

"Perhaps they have decided to restore the dictatorship here," he said, arguing that it was impossible to have talks in

such circumstances.

Mr Ion Iliescu, the ex-Communist interim President, and Mr Roman, said they were willing to consider power-sharing when they had talks with the three main opposition parties over the weekend. At that time, the anti-Government protesters had the upper hand.

But yesterday the Front's confidence was restored by the latest demonstration by supporters, which was apparently organised in traditional Communist style by NSF factory committees.

Mr Iliescu waved to the crowd from the balcony of the Front's headquarters and said: "Under pressure we will never yield." However, at a later news conference, Mr Sylviu Brucan, a member of the Front's 11-member executive, denied that the Front had

organised yesterday's rallies.

He said television and radio appeals on Sunday for supporters of Mr Iliescu to launch a demonstration to rival the one organised by students and opposition parties were an exaggerated reaction to a tense situation at the Front's headquarters. He said this had amounted to an attempted putsch by opposition forces.

Last night, the Front appeared to have gained the upper hand. But the euphoria which followed the overthrow of Nicolae Ceausescu last month has been replaced by near-anarchy in Bucharest and in the provinces.

The Front has accused its opponents of being funded by foreigners, thereby arousing nationalistic instincts which were exploited so successfully by the late dictator.



Iliescu waves to his supporters yesterday. "Under pressure we will never yield," he said.

## Pay strike shuts bank sector in Sweden

A COMBINED lockout and strike began yesterday in Sweden's banking sector, but business said they could weather the immediate effects, writes John Burton in Stockholm.

The action - over pay levels for the country's 46,000 bank employees - is not expected to last more than a week, although the two sides are still deadlocked.

Swedish companies plan to rely on their foreign subsidiaries and overseas banks for financial transactions during the dispute, although they may face difficulties in paying some of their domestic workers and subcontractors.

The Stockholm Stock Exchange remained open yesterday in spite of the closure of the Securities Register Centre, but trading was light.

## IG Metall points way with pay deal

The 25m-strong West German metal industry union, IG Metall, has reached agreement with a small employer near Frankfurt on a 5.5 per cent pay rise for the next 13 months and a 35-hour week to be introduced by April 1992. This is the first sign of how current negotiations with the metal industry employers could be resolved, writes David Goodhart in Bonn.

The union is pressing for a 9 per cent pay rise and a reduction in working time from 37 to 35 hours a week. The employers' opening offer - expected in the second round of negotiations next month - is likely to be around 3 per cent.

## Japanese ¥5bn loan for Hungary

Japan's Export and Import Bank will extend a ¥5bn (\$31m) loan to Hungary early next month, part of a \$900m aid package Japan has promised Warsaw, a bank spokesman told AP in Tokyo. Japan will also give \$125m in food aid to Poland later this week.

Kyodo News Agency quoted Foreign Ministry officials as saying:

"The food aid, in the form of wheat bought from Hungary, and the US, will be given to the Polish Government through the United Nations World Food Programme, they said."

## Greek attacks on ethnic Turks alleged

The Turkish Foreign Ministry last night issued a statement deploring alleged attacks by Greeks on the Turkish minority in Western Thrace and called for intervention by the UN to bring about a ceasefire, writes Jim Bodegnet in Ankara.

It said ethnic Turks in the Komitini district were attacked yesterday by Greeks, their mosques pillaged, and their human rights violated. It claimed Greek radio stations urged on the assault. The rights of the Turkish minority in Greek Western Thrace are protected by the 1923 Lausanne treaty.

The disturbances follow the sentencing on Friday to 18 months' jail and three years' civil rights deprivation of a former Greek parliamentary deputy, Mr Sadiq Ahmet, and a Greek parliamentary candidate, Mr Ibrahim Sadiq, both ethnic Turks, for using the word "Turk" in campaign manifestos, according to Turkish press reports.

## Serbia blames rival republics for riots

Yugoslavia's biggest republic, Serbia, yesterday blamed rival republics of Croatia and Slovenia for ethnic Albanian riots at the weekend in which at least 14 people died, Renter reports. The Serbian Communist Party politburo said the "deterioration of the political and security situation in Kosovo is primarily due to blatant support... by Slovenia and Croatia to the secession of Kosovo from Serbia and Yugoslavia."

Meanwhile, ethnic Albanians demanding political reforms clashed with police yesterday in several towns in Kosovo.

## FINANCIAL TIMES

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## E German military status splits allies

By David Goodhart in Bonn

A CLEAR difference of opinion has emerged between West Germany and its main Western allies, especially the US and Britain, over East Germany's military status in a future united Germany.

Mr Hans Dietrich Genscher, the West German Foreign Minister, has spoken out emphatically in a newspaper interview against the insistence that East German membership of Nato should be a condition of reunification - a position currently being pushed by the US and British governments.

"Anyone who wants to extend the Nato borders to the Oder and Neisse (East Germany's border with Poland) is slamming the door on a united Germany," Mr Genscher said.

Mr Gerhard Stoltenberg, the Defence Minister, has also indicated that East German membership of Nato is not the only option for a united Germany and has spoken of "special security rules" between the Soviet Union and its former East European satellites.

In spite of this disagreement, however, diplomats stress that progress is being made in another sensitive area - revising the legal powers retained by the Western victor powers, the US, Britain and France, over West Berlin.

The special rights of the three powers, especially over Berlin's representation in the Bundestag in Bonn and air traffic into the city, is a potential conflict point with Bonn, but there are indications of movement in both areas.

Mr Friedrich Zimmermann, Bonn's Transport Minister, has been pressing for a relaxation of the rules which prevent any West German-owned airline carrying passengers across the inter-German border and restrict all flights into the city

Belgium's Foreign Minister, Mr Mark Eyskens, yesterday criticised plans to investigate the withdrawal of Belgian troops from West Germany, opening a rift within the country's centre-right government. AP reports from Brussels. Even studying the idea of withdrawing some or all of Belgium's 25,000 troops was premature.

"It gives the impression Belgium wants to anticipate the results" of East-West negotiations in Vienna on conventional arms reductions in Europe, he said in a newspaper interview.

to three corridors. A gradual abandonment of these restrictions is now expected, with the first move coming in the next few weeks.

Ms Heide Pfarr, a minister in the West Berlin senate, has also said that the allies are looking favourably on a reform of the city's peculiar political status which forbids direct elections to the Bundestag and prevents those representatives who are sent to Bonn by the West Berlin senate from voting in the main chamber.

Imminent free elections in East Berlin have increased the pressure for change, which is now possible before the West German national election in December.

Mr Hans-Jochen Vogel, chairman of the West German Social Democrats, said yesterday he would be nominating Mr Oskar Lafontaine, who has just been comfortably re-elected as Saarland's premier, as the party's Chancellor candidate.

He is likely to be confirmed at a special meeting of the party executive next month.

## Communist party ceases in Poland

By Christopher Bobinski in Warsaw

POLAND'S Communist Party, which ran the country for over 40 years, has ceased to exist and has been replaced by two rival social democratic groupings set to contend for credibility from a hostile and mistrustful population.

In the small hours of yesterday the main congress hall of Warsaw's Stalinist Palace of Culture saw the Communist Party's flag carried out in silence for the last time. Some, visibly moved, broke into tears.

The two sides are due to hold separate talks with the Baltic mediators tomorrow and to talk face-to-face Thursday.

The talks will be held under the auspices of the Baltic Council, an organisation comprising the three informal nationalist groups there. The chairman of the Latvian Popular Front, the Estonian Popular Front and Lithuania's Sajudis, will attend the meetings.

At the weekend, representatives of the Latvian Popular Front had flown to Baku to arrange the talks. The agreement to talk with the informal groups was reached the day after Mr Eduard Shevardnadze, the Soviet Foreign Minister, had made the clearest appeal so far from the Soviet Government for peace talks with the Azerbaijan Popular Front.

At a meeting with the Indian Foreign Secretary in Moscow, he said, "as far as the solution of political problems is concerned, the Soviet leadership - as it has repeatedly stated - is categorically against the use of force. Dialogue is the main instrument in this case."

In an apparent rebuke to General Dmitri Yazov, the Defence Minister, who had said the troops had been sent to Baku to crush the power of the Azerbaijan Popular Front, Mr Shevardnadze added: "I want to point out once again that the introduction of troops was prompted not by some political

## Azerbaijanis and Armenians accept Baltic mediation offer

By John Parker in Moscow

THE warring nationalist groups of Azerbaijan and Armenia yesterday agreed to do with the Baltic popular fronts what they have so far refused to do with the government of the Soviet Union - sit down and begin peace negotiations.

Representatives of the Azerbaijan Popular Front and the Armenian National Movement said that they would send representatives to Riga, the capital of Latvia, for peace talks. The two sides are due to hold separate talks with the Baltic mediators tomorrow and to talk face-to-face Thursday.

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goals connected with the suppression of dissent... but by the sole aim to end bloodshed."

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, yesterday confirmed the government's desire for negotiations. Speaking in Helsinki, he agreed that "we must negotiate with those who have power but it's very difficult to negotiate with extremists."

It is not clear who will represent the Azerbaijan Popular Front because many of its leaders have been arrested in Baku. A letter by the Front, however, said that the delegation would include a Mr Gadzhizade, identified as a member of its ruling council.

The agenda for the talks will include the future of the tens of thousands of refugees created by the conflict and the use of Soviet troops. The two sides, however, agreed not to discuss their territorial claims against each other.

The current Government led by Mr Giasile Andreotti has appeared uncertain whether it wishes to endorse the severity of the legislation proposed by Mr Oscar Mammì, the Minister of Posts and Telecommunications.

These aim to prevent the same proprietor from owning both a television station and a daily newspaper. The Socialist party, which has traditionally favoured Mr Berlusconi, wants to allow him more room for manoeuvre.

An additional pressure on Parliament comes from the Constitutional Court which will hold a public hearing today before ruling on the legality of Mr Berlusconi's network, in the absence of any law regulating the television industry.

The Court also seems determined to rule on the question of concentration, and the Government and Parliament will be forced to comply with its findings unless legislation is passed before the final judgment is filed in a few weeks.

A strike by rebel drivers halted half of Italy's train services yesterday in the first of several stoppages called over the next 10 days, Renter reports. Rejecting the authority of the three main unions, they began a 48-hour strike on Sunday to press demands for a 1,400,000 (\$190) monthly pay increase. Mondadori, Page 29.

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## Communist reformers may quit to set up new Bulgarian party

By Judy Dempsey in Sofia

BULGARIA'S ruling Communist party opens its congress today against a background of bitter infighting between several factions which could eventually lead to a formal split.

The factions are loosely divided between conservatives, particularly those belonging to the party organisations in the provinces, and a group of intellectuals based in Sofia who favour a more social democratic ideology.

The social democratic wing, known as the Alternative Socialist Organisation (ASO), which is led by an academic

Mr Kiril Vasiliev, is heavily outnumbered by the conservatives who make up more than 70 per cent of 3,000 delegates at the congress.

The conservatives insist the party must retain its Marxist principles and they fully endorse the statutes which state categorically that the party "is a Marxist political organisation whose immediate goal is a democratic and humane socialist civil society."

Frustrated with the slow pace of political and social reforms, the ASO believes that unless the old guard is ousted at this congress there will be

little point staying in the party. The reformers intend to hold a special conference on February 11 and, if defeated at this congress, will consider quitting the Communist party to set up a Socialist party.

The ASO also believes that if the party continues to carry the old guard it could face an embarrassing defeat in the elections scheduled for later this year. "What is really at stake is the survival of the party," said Mr Filip Bokov, head of the state-run radio and television.

A recent opinion poll gave 30 per cent of the vote to the

Communists and 12 per cent to the Union of Democratic Forces, the umbrella organisation for opposition political movements; the remaining 48 per cent of the vote polled said they would abstain.

Were the ASO to leave the party, this would weaken the position of Mr Andrei Lukanov, number two in the leadership who is attempting to push through radical changes in the party's internal structures. He requires as much support as possible from the technocrats and reform wing of the party.

An indication of the seriousness of the splits emerged at

the weekend during one of the most heated congresses yet of the Communist-dominated Union of Journalists. Despite attempts by conservatives to monopolise the proceedings - at one point, in an effort to create an atmosphere of panic and to swing the votes behind them, they said Mr Mikhail Gorbachev had died - the reformers managed to remove as union president Mr Radostin Radev, dogmatic editor of the party newspaper, Rabotnichesko Delo.

Mr Stefan Prodev, a respected journalist who was sacked by Mr Todor Zhivkov,

the former party leader ousted last November, was elected to succeed him.

The congress voted to ban all Communist party cells and political organisations from newspapers and publications run by the union. It also hopes to present a draft bill on freedom of information to the National Assembly in the coming months.

"What you saw at the journalists' congress will be symptomatic of the party congress," one prominent commentator said. "But the old guard will fight back. They will not give up easily."

Now under considerable pressure, Mr Gonzalez has persuaded his deputy to appear before parliament Thursday to explain what his brother has been up to.

The opposition is calling for Alfonso Guerra's resignation. Although leading Socialists tried to explain away the affair as a carefully orchestrated press campaign against the deputy Prime Minister, such carefully documented allegations of corruption have never come so close to Mr Gonzalez and the Government as obviously rattled.

For Spain, separatism is probably more dangerous than corruption in government, but the Guerra affair will inevitably weaken the very weapon Mr Gonzalez needs to combat the nationalist snowball. "Modern Spain was supposed to vanquish ancient regional tensions but it requires a whiter-than-white 'ethical' centre to hold the ring, Mr Gonzalez's halo may be losing its shine."

Although both the big Catalan and Basque moderate parties have retreated a little on their self-determination adventures, neither can afford now to drop the issue. It is not surprising that, after visiting Hungary late last year to applaud the collapse of communist rule there, Mr Gonzalez has been uncharacteristically silent about the dissolution of the rest of the Soviet empire.

## Corruption charges grubby Gonzalez's one-nation embrace

Taming nationalist passions in Spain's regions is difficult when government is not seen to be clean, writes Peter Bruce

THE VISIT last week to Lithuania by a group of Catalan nationalists and an unexpected break-in two weeks ago at a Spanish government documentation office in Seville may have more than a little to do with each other. Both have landed with an unwelcome thump in Prime Minister Felipe Gonzalez's 1990 in-tray.

While Mr Gonzalez used to say that with the return of democracy would emerge a modern (homogeneous) state and ethical government, he is now being confronted with menacing demands for greater independence by moderates in two of Spain's most important provinces and a rapidly widening corruption scandal involving his closest political confidant, deputy Prime Minister Alfonso Guerra.

At the best of times, Spain simmers with nationalist passions. Separatist terrorists operate from the Basque Country, Catalonia and, sometimes, Galicia. In Catalonia and the Basque Country, moderate nationalist parties control the regional governments. Normally, these parties maintain cordial, though strained, links with Madrid. In the Basque Country, Mr Gonzalez's Socialist Party governs in coalition with the Basque Nationalist Party, the PNV.

But the unravelling of Soviet hegemony in Eastern Europe and the pressure for independence in the Baltic states, has changed Spanish politics. Early last month, the governing Catalan party, Convergencia i Union (CIU), suddenly announced it intended passing a resolution in the regional parliament calling for autodetermination or self-determination. Within days, the PNV had decided to do the same. Although the resolutions would have no legal effect, they are politically charged.

Both the CIU and the PNV have claimed they are talking only about greater autonomy and, privately, say they are trying to take an emotional issue off the streets (where the radicals rule) and institutionalise it.

The Government, however, has reacted as though they were trying to make a lunge for eventual independence. Under the constitution, all 17 Spanish autonomous regions operate statutes of autonomy, the Basque and Catalan ones being more generous than the others, and Mr Gonzalez has threatened to study any more progress on implementing the existing statutes in close detail.

The Prime Minister's biggest worry, though, has been the Spanish military. Senior officers have made it clear they will not tolerate the break-up of the country. Though the military has been quiet for nearly nine years, the attempted coup in

1981 has not been forgotten. In one sense, Mr Gonzalez may have overreacted. Neither Catalonia nor the Basque Country could survive economically outside Spain and, by definition, outside the European Community. But separatism is easy, popular politics. The visit to Lithuania last week by Catalan separatists and the CIU's recent decision not to oppose motions in favour of self-determination in Catalan municipalities are powerful reminders that the nationalist vote is growing in importance around both Barcelona

and Bilbao.

There is little Mr Gonzalez can do - beyond asking his EC colleagues to warn the nationalists they would not be welcome as independent countries - but sit it out.

This is where Mr Guerra comes into it. The Socialists have for years been able to deflect criticism for lapsing into the kind of favouritism and nepotism practised during the dictatorship, and in fact, by practically all Spanish Governments before and after.

Detailed accusations have now

emerged that Mr Juan Guerra, a brother of Mr Alfonso Guerra, has risen from book salesman to millionaire entrepreneur in just a few years, apparently by making use of his links with the Socialist Party. Juan, it has emerged, has been allowed to use an office in the central Government delegation's building in Seville from which he is alleged to have built up a business empire worth some \$10m.

Though never a Government employee, his business card once firmly implied that he was. A flood of detailed reports in the last month has linked him to a company that bought property from state companies at rock bottom prices and another which has won a government contract to supply licence plates for official cars.

One of these companies was awarded a Ptas5m (500,000) subsidy to build a hotel in Andalusia though the hotel was never built and the money never paid out. Two weeks ago, a government office in Seville containing documents related to some of the property deals linked to him was broken into.

Juan Guerra, who was unemployed before the Socialists came to power in 1982, also acted as a minder to his brother when the deputy Prime Minister visited Andalusia, their home province.

Now under considerable pressure, Mr Gonzalez has persuaded his deputy to appear before parliament Thursday to explain what his brother has been up to.

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Felipe Gonzalez (left) and Alfonso Guerra: their brother's keeper?

## WORLD TRADE NEWS

## GATT in search of the line between cheap exports and nasty practices

Is charging less abroad than you do at home unfair trading — dumping — or is it just good marketing? asks William Dullforce

**T**ALKS ON the General Agreement on Tariffs and Trade's anti-dumping code have reached a juncture at which governments must start setting realistic limits for what they can expect to achieve before the end of the Uruguay Round in December. However, it is already apparent that the dispute over the principle of anti-dumping is unlikely to be resolved.

Some negotiators feel they may even be running out of time to reach the more restricted objective of agreeing new rules for anti-dumping action which would at least let exporters know where they stand.

Dumping — the selling of a good abroad at a lower price than that for which the exporter sells it on the home market — and anti-dumping — the imposition by the importing country of a punitive tariff on the dumper — have turned into one of the most potent issues at stake in the Uruguay Round.

This is principally because of some exporting countries' growing agitation about the proliferation of anti-dumping measures, and charges by champions of free trade that governments are exploiting anti-dumping as a last-ditch protectionist weapon and as a

disguised form of industrial policy.

Japan has taken the vanguard in the anti-dumping battle within Gatt. In the first dispute in which it has called on the organisation to arbitrate, Tokyo has challenged European Community action against Japanese companies' so-called "screwdriver" assembly plants within the EC. Japanese officials make it clear that one of Tokyo's priorities in the Uruguay Round is to obtain clearer rules for anti-dumping.

In essence, the argument pits Japan, supported by Korea, Singapore and Hong Kong, against the EC and the US, who with Australia and Canada are the main users of anti-dumping. But the matter is more complicated than that because European and American exporters are also frequently the victims of anti-dumping action. Both Brussels and Washington have an interest in obtaining clearer anti-dumping rules, although so far they have taken differing approaches to the Gatt talks.

Gatt officials are concerned about the trend to introduce anti-dumping legislation among developing countries which have adjusted to Gatt free-trade principles by abandoning import licensing and reducing non-tariff restrictions.



Mexico and Brazil are cases in point; Turkey and Morocco are moving in that direction.

In a letter sent to participants before the Uruguay Round negotiating group resumes its work tomorrow, Mr Chulisu Kim, the Korean chairman, has summarised the web of conflicting proposals tabled by powers, like the US and the EC, who want to extend the net to catch smart dumpers, and those, like Japan, who want to stop what they see as abuse of the anti-dumping measures permitted by Gatt.

Mr Kim hopes that his summary will encourage the group to adopt a 'light agenda' for

negotiating amendments to the code and, perhaps, for expanding its scope to cover the clever methods employed by dumpers to escape penalties.

Companies try to circumvent punitive tariffs by investing in "screwdriver" plants in the importing country and shipping in components or by exporting from subsidiaries in third countries. Brussels and Washington want these loopholes in Gatt's anti-dumping code plugged.

In imposing duties on products from Japanese assembly plants the EC undoubtedly exceeded its rights under the code but Brussels defends its action by citing a Gatt clause that allows a country to take action to prevent circumvention of a tariff policy measure.

Repeat or recurrent dumping is another form of circumvention that both the US and the EC want covered in the code. A dumper may stop exporting when an investigation is opened so that the importing country has no legal basis for proceeding, and then resume exporting in massive quantities a couple of months later — a procedure which can be repeated ad infinitum. The US claims that foreign exporters of steel products have done this.

Japan and its allies attach great importance to improving

| Reporting party | Reporting period | SUMMARY OF ANTI-DUMPING ACTIONS |                           |                           |                           |     | Outstanding actions |
|-----------------|------------------|---------------------------------|---------------------------|---------------------------|---------------------------|-----|---------------------|
|                 |                  | Initiation                      | Provisional measures      | Definitive duties         | Price undertakings        |     |                     |
|                 |                  | No. of countries involved       | No. of countries involved | No. of countries involved | No. of countries involved |     |                     |
| Australia       | A                | 40                              | 12                        | 8                         | 2                         | 150 |                     |
| Brazil          | B                | 20                              | 10                        | 5                         | 1                         | 49  |                     |
| Canada          | A                | 24                              | 12                        | 8                         | 2                         | 150 |                     |
| EC              | B                | 20                              | 20                        | 18                        | 5                         | 159 |                     |
| Finland         | A                | 17                              | 12                        | 7                         | 11                        | na  |                     |
| France          | B                | 30                              | 10                        | 4                         | 5                         | na  |                     |
| Germany         | B                | 5                               | 3                         | -                         | 3                         | na  |                     |
| South Korea     | A                | 1                               | -                         | -                         | -                         | na  |                     |
| Mexico          | C                | 2                               | 12                        | 2                         | -                         | na  |                     |
| New Zealand     | C                | 4                               | -                         | 1                         | -                         | na  |                     |
| Sweden          | A                | -                               | 2                         | -                         | -                         | na  |                     |
| US              | A                | 41                              | 85                        | 38                        | 2                         | 161 |                     |
|                 | B                | 31                              | 13                        | 22                        | -                         | 167 |                     |

A: July 1 1988-30 June 1989  
B: July 1 1987-30 June 1988  
C: January 1 1988 - June 30 1988  
na = not available

Source: General Agreement on Tariffs and Trade (Geneva)

procedures for anti-dumping action. They claim the EC and the US harass exporting companies by initiating dumping investigations on insufficient evidence. Buyers hesitate to sign contracts, the exporter goes through the ordeal of investigation, hiring expensive specialised lawyers, and some months later the case may be dropped.

Several key definitions in the Gatt code are causing trou-

ble. Before it can impose anti-dumping duties, a government has to show that the domestic industry has suffered injury, that dumping has occurred and that there is a causal link. The code says a "major proportion" of the industry must be exposed to injury; some anti-dumping legislations put the proportion at only 10 per cent. The Japanese and Koreans seek clearer definitions of the concepts of "material injury"

and threat of injury. Conflict prevails over the ways in which governments calculate the dumping margin. Trade analysts allege that the EC has cheated when "constructing" the prices on which it has based its import penalties. Exporters want tighter rules.

The negotiations are riven over the distinction between dumping and normal commercial practice. Singapore and

Hong Kong in particular pro-pound the difference between predatory dumping and the adjustment of a price to the price level prevailing on an export market. Is it dumping when an exporter drops his price below that at which he sells at home in order to be competitive on a foreign market, but without intending to push domestic producers out of the market?

It is here probably that a realistic limit for the Uruguay Round anti-dumping talks must be set. Under the present Gatt code, if your domestic price is higher than your export price, you are dumping — and neither the EC nor the US is likely to budge from that mechanistic concept.

The globalisation of industry, under which companies produce in more than one country, has undoubtedly stimulated dumping and led to more anti-dumping actions. Some companies behave in a way that would be impossible within a domestic market because of anti-trust regulations.

A realistic objective for the chief protagonists would be to agree in the next few months on new definitions and procedures for anti-dumping action that could simplify life for exporters.

## Swiss account for half the value of world watch output

By John Wicks in Zurich

SWITZERLAND last year accounted for half the value of world watch and movement production, according to the federation of the Swiss watch industry.

Some 700m watches and movements were made worldwide last year, or about 7 per cent more than in 1988, a federation report says.

Total value is seen as having risen rather faster, to the equivalent of around SF1.3bn (\$5.2bn).

Swiss production is believed to have risen in value terms by 20 per cent over the year to approximately SF1.5bn.

The average ex-works price per unit stands at some SF180, against only SF115 for Japanese products and SF150 average in Hong Kong.

The value of these exports from Switzerland rose 19.6 per cent last year to a record SF1.04bn, against SF1.5bn in 1988.

In comparison, the number of units exported rose by 3.5 per cent to 42.5m, excluding an estimated 30m unassembled movements. This reflects a fur-

ther growth in the share of clear products in total sales.

Leading markets for Swiss watches and movements in 1989 were Hong Kong, sales to which rose by 15.2 per cent to SF1.04bn, the US (up 6.3 per cent to SF1.038bn) and Italy (up 20.2 per cent to SF1.034bn). Japan's Citizen Watch is planning to open joint venture marketing outlets in East Germany and other East European countries, company officials said yesterday. AP-DJ reports from Tokyo.

Citizen, Japan's second biggest watch maker, has been discussing the marketing plans with East European authorities, reportedly including those in Czechoslovakia and Poland, they added. The company was now awaiting responses.

In 1989, officials said, Citizen exported some 30,000 watches to East European countries through its subsidiary, Citizen Watch Europe in Hamburg, West Germany.

"Because of strong demand, Citizen's exports to East Europe might jump to around 100,000 units this year."

## Metallgesellschaft in new deal with East Germans

By Andrew Fisher in Frankfurt

METALLGESELLSCHAFT, the West German engineering, metals and mining group, has signed its second contract with East Germany since the border was opened last November.

It will build a secondary copper mill in a joint venture with Kombinat KAMBI, the East German metals concern, and Infrac, the East German foreign trade organisation.

No value was given for the deal, but industry officials said it was worth more than DM200m (\$71m).

The mill will produce copper from scrap metal by a process which minimises air pollution, a serious problem in East Germany.

Mr Henning Rost, managing director of Mansfeld Kombinat, which employs 46,000 people, said that under the previous East German regime, approval for such environmentally-oriented investments would not have been forthcoming. "Now, we can go ahead with such projects."

With the new smelter, production of much-needed copper, for both domestic and export use, could be assured and jobs maintained.

The copper mill will be built by Lurgi, a subsidiary of Metallgesellschaft, which said it was talking with Kombinat Mansfeld and Infrac about several other projects.

In November, Metallgesellschaft won a DM225m order for modern, clean-emission power plant equipment at the Buna chemicals complex near Leipzig.

Metallgesellschaft has signed an exclusive long-term agreement with the Caribbean Methanol Company (CMC), based in Trinidad and Tobago, to market up to 500,000 tonnes of methanol yearly, Reuter reports from Frankfurt.

The methanol will be produced in a plant in Point Lisas, Trinidad, due to start up next year.

## Exporters welcome Sri Lanka's 'freer shipping' rules

THE Sri Lankan government's decision to end the 17-year monopoly of the state-run Ceylon Freight Bureau (CFB) and liberalise shipping has been widely welcomed by the island's traders, exporters and investors, Mervyn de Silva reports from Colombo.

Since 1973, the CFB alone allocated space for all exports and imports.

The only exception to the

new rules is the "UK and north continent area", for which the CFB will still be the sole authority. But that exception will end too, on December 31.

Colombo used to be a leading port and transshipment centre, but we lost that position to Singapore," said Mr A.M. Mansour, Trade and Shipping Minister. "The recovery has now begun."

Mr Mansour was echoing Mr

Lee Kuan Yew, Singapore's Prime Minister, who said Sri Lanka's mistakes had become Singapore's opportunity, and a lesson on what to avoid. He was referring to the crippling port strikes in Sri Lanka in the 1980s.

The CFB was created by Mrs Sirimavo Bandaranaike's government when it hit foreign exchange difficulties.

"The CFB was supposed to

stop the foreign exchange drain but the state monopoly only led to bureaucracy and corruption," a spokesman for the National Exporters' Association said.

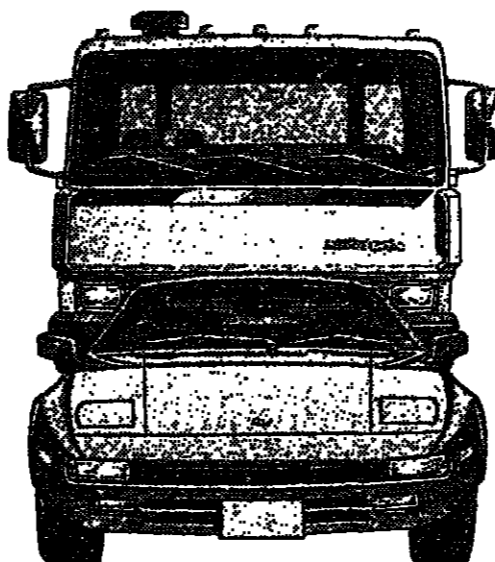
These problems resulted in long delays which raised freight rates and operating costs. Pressure for de-regulation came from the local export trade and foreign shipping companies.

Exporters, especially the fast-growing garment trade, complained they could not keep to the seasonal deadlines of big chain stores in the US, Europe and Japan. Traders in general argued for competitive freight rates.

Liberalising fits the broad framework of Sri Lanka's agreements with the International Monetary Fund and the World Bank.

## In any language Rockwell is the word for technology.

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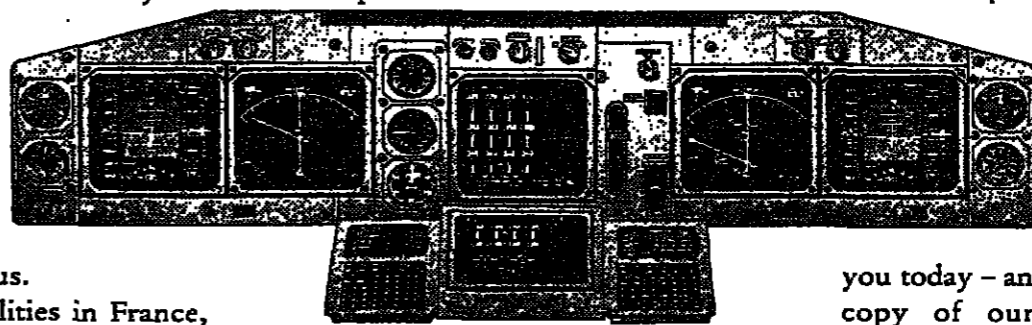


century, we've been committed to providing advanced technology to the European market. Today we have 9400 employees at plants and offices in ten countries in Europe. They generate \$1.5 billion in worldwide sales. Here's where you'll find us. In Automotive Our facilities in France,



West Germany, Italy, the United Kingdom and Spain produce door

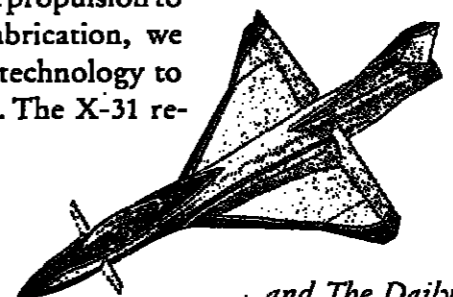
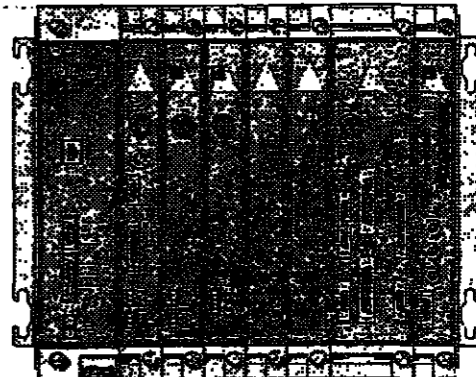
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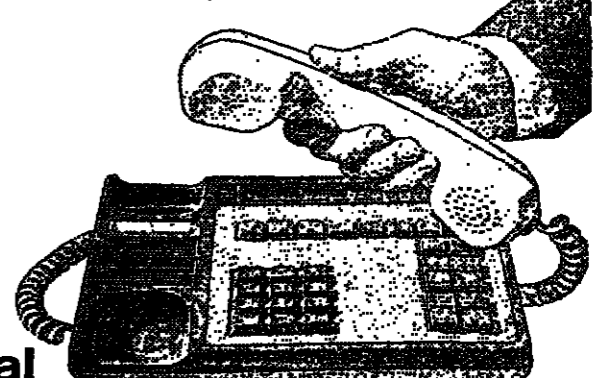
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## OVERSEAS NEWS

## Debating club where members prefer the nod and the wink

Robert Thomson speaks to young hopefuls at the traditional breeding ground of Japan's notorious old-boy network

GRAFFITI and defaced posters scar the walls, the ashtrays overflow with stubbed butts, and stuffing has been pulled from the vinyl chairs. The talk is of philosophy, of the changing values of Japanese youth and of the parties' prospects at the coming election.

The smoky, cramped headquarters of the Waseda University Debating Club have long been a breeding ground for Japanese leaders. Mr Toshiki Kaifu, the present Prime Minister, polished his oratory skills at the club, and Mr Noboru Takeshita, a past Prime Minister and still a powerful number man in the Liberal Democratic Party, was a member.

Mr Kaifu, tied to a small faction in the LDP, has needed the support of the club's old-boy network, which includes several present and past ministers with considerable influence within other, stronger factions. And the old-boy business connections have always been a help when it comes to campaign fund-raising drives.

During a brief visit to London earlier this month, Mr Kaifu found time to attend a gathering of 120 Waseda alumni, and in Tokyo, there is the "20th Club", whose members are business leaders educated at Waseda and who meet, as the name suggests, on the 20th of each month.

Back at Waseda, Mr Shuzo Kogure, 22, a commerce student and



Some members of the Waseda University Debating Club polishing their skills in fast talking

the debating club president, doesn't think the outcome of the February 18 election matters much: "The bureaucrats have the real power, and these bureaucrats protect the interests of Japanese companies."

The LDP will not get Mr Kogure's vote. Mr Hajime Hirota, 21, a social science student with serious political ambitions, is likely to support the ruling party, but complains that

ordinary Japanese are given little insight into policy making and are generally neglected.

There is a lot that the 60 club members, all men, don't agree on, but then that's why they join the club. As one member explained: "We don't come here to learn debating techniques, we come here to exchange ideas."

Debate starts with the club's history. The members agree that the club began in 1902 after Waseda students rallied behind farmers whose fields had been ruined by waste from a copper mine. The precise details of the protests are a matter of debate, as are the circumstances of a factional fight in 1978 that prompted the club to draw up formal rules protecting "freedom of expression."

Virtually all new students are

aware of the Waseda Debating Club, and fresh members are easy to find at the beginning of each university year. Women are allowed, and Mr Kogure, his long hair tied in a ponytail, says that the only pre-requisite is a chat with club officials.

"The person should show a desire to improve himself, but it is not the sort of club that everybody wants to join," he said. Mr Kogure, by the way, hopes to be a writer, not a politician.

Each year, a few members get work with a political party or trade union, and tend to climb through the ranks. Others take a more conventional job in a company.

The club's office bearers also have a record of going on to higher office. In 1983, a 20-year-old Toshiki Kaifu was assistant secretary, Takao Fujinami was another assistant secretary and Kozo Watanabe was president.

Mr Fujinami, a former Chief Cabinet Secretary, has a dubious fame through having been indicted for allegedly accepting bribes as part of the Recruit stock scandal.

Undaunted by the indictment, the part-time poet and longtime LDP lobbyist launched his campaign on Saturday for the coming election.

Mr Kozo Watanabe, Home Affairs Minister, endorsed Mr Kaifu's candidacy for LDP leadership, and was joined in the endorsement by Mr Takeo Nishio, a former Education

Minister and a member of a different faction, but, importantly, an old boy of the Waseda Debating Club.

Other past members include Mr Hikaru Matsunaga, the Minister of International Trade and Industry, and Mr Hiroshi Mitsuoka, a former Foreign Minister, and now the chairman of the LDP Policy Affairs Research Council. Then, there is a collection of lesser-known politicians influential in the complex network of LDP factions, and a few others who have reached senior positions in the opposition parties.

The LDP lustre has dulled at the debating club, and at an informal gathering of 10 members, the spread of opinions was from Left to Right, and most points in between.

All seemed to agree that the Japanese political system was in need of change.

When asked about the attitudes of young Japanese, Mr Kogure stressed that "first of all, you must appreciate that this is an elite university." He said Japanese think seriously about matters that directly affect them, but, on other issues, they often don't have a strong inclination to express themselves.

That cannot be said of Mr Kogure and the members of his club, who have strong opinions on most issues and who shatter the foreign stereotype of young Japanese as conscious of fashion, group goals, politeness and not much else.

## Malaysian plantation workers set to strike

By Lim Siong Hoon in Kuala Lumpur

MALAYSIA'S farming sector in rubber, palm oil and cocoa faces a crunch tomorrow when 60,000 plantation workers begin an indefinite strike.

The three crops combined account for 15 per cent of the total 60.5bn ringgit (£13.6bn) in exports last year. Efficiency, good productivity and low wages at the plantations — started a century ago under British rule — were responsible for turning the country into the world's biggest supplier of palm oil and the third biggest in cocoa in just a decade.

The industry reports 10 to 16 per cent in net margins, higher than all non-oil industries, according to one independent study.

The workers who are demanding a greater share of this income are mostly rubber tappers, members of the 200,000-strong National Union of Plantation Workers (NUPW).

They want a guarantee of a basic wage of 240 ringgit a month, or 82 per cent of the average per capita income.

This is the heart of the dispute between the NUPW and the Malaysian Agricultural Producers Association (MAPA). Among its members are Sime Darby, Guthrie, and Harbours Malaysian Plantations.

A tapper's existing wage structure is a flat 7.50 ringgit daily rate for the first 10 kilos of rubber latex they produce, plus a scaled commission rate based on tonnage and rubber prices. So the take-home pay averages 15 ringgit, or 450 ringgit a month, provided the worker taps at 600 healthy trees every day, produces 20 kilos at least, and if prices are good.

Plantations dispute monthly wage payments because they stand to lose up to six days of output. But this is not their worst fear. If they accede to the tappers' demand now, they will have set a precedent deal for the 140,000 NUPW members who work on the oil palm and cocoa crops.

For reasons that have to do with cost and profitability, national rubber output has been stagnant at 1.5m tonnes annually for the past four years. So plantations shifted to the more profitable but more labour intensive, in terms of hectare worked, oil palm and cocoa cultivation. So the resulting effect from similar changes to other wage structures would mean another step into an uncertain future for the plantations.

The NUPW is determined to press its claims. In its favour is a labour shortage, around 10,000 in 1987, ironically contributed to by low wages and expanding cultivation of oil palm and cocoa. The shortage grows at between 4,000 and 6,000 a year.

Backed by the Government, the plantations have been importing Indonesian workers to fill jobs. As many as 500,000 have entered the country, most of them illegally.

One disadvantage for the NUPW is that rubber, palm oil and cocoa prices are at a two-year low.

The daily wage agreement between the NUPW and MAPA expired a year ago, while the monthly wage proposal has been outstanding for 10 years.

After MAPA rejected the proposal, the tappers voted last month to strike, then both sides called in the Government last week to mediate.

Government institutions own controlling equity stakes in the largest plantations, but the Government itself has been taking an even-handed approach to the dispute.

## Israel puts funds aside for Soviet Jews

By Hugh Carnegie in Jerusalem

THE escalating cost to the Israeli Government of a flood of immigrant Soviet Jews was sharply exposed yesterday when Mr Shimon Peres, the Finance Minister, included provisions of Shkbn (\$311m) to help absorb the newcomers in his budget for the 1990-91 fiscal year.

Budget documents acknowledged that this figure, already approaching double the level spent in 1988, may well turn out to be only half the expenditure that will in fact be needed if the number of immigrant arrivals reaches the 80,000-100,000 level now being officially predicted.

The budget was drawn up on previous estimates of 40,000 immigrants in 1990.

Soviet immigration, which has accelerated greatly in recent months because of mounting uncertainty in the Soviet Union and restrictions on entry to the US, was the dominant topic as Mr Peres presented the budget to the Knesset (parliament). Already the subject of political controversy because of its potential effect on the Jewish-Palestinian demographic balance, Soviet *aliyah* (ascension, as it is called) is also a big economic issue.

Treasury officials freely acknowledged that absorbing the newcomers may skew their calculations on the Shkbn budget, possibly swelling a projected budget deficit of Shk3.8bn, or 3 per cent of gross national product — a result intended to show an improvement over this year.

Immigration costs are also likely to make more difficult Mr Peres's intention to continue the slow process of reducing the Government's role in the economy. He is reluctant to resort to additional taxation to fund absorption. He intends to stick to a 3 per cent cut in corporation tax to 42 per cent and ease the income tax burden by raising thresholds and cutting top marginal rates, offset by a VAT rise from 15 to 16 per cent.

Mr Peres's options are already heavily circumscribed by the huge burden of debt service and defence, accounting for 37.5 per cent and 20.3 per cent of the budget respectively.

## Jakarta reduces role of credit subsidy in monetary system

By John Murray Brown in Jakarta

INDONESIA yesterday announced a radical overhaul of central bank credit policy, the final stage in a seven-year programme to modernise the country's banking industry.

The changes reduce the place of subsidised credit in the monetary system and aim to restrain growth in the money supply, at the same time redirecting priority funds to small enterprises and farm co-operatives.

The moves put the banking system on a proper footing and leave Bank Indonesia, the central bank, in a more conventional backseat role as lender of last resort.

The reforms, unveiled by Mr Adrianus Mooy, the BI Governor, envisage sharp cuts in BI's subsidised lending operations, the so-called liquidity credits. Interest on subsidised programmes is also to be brought closer to market rates. For example subsidy on the KUT co-operative credit is cut, with the interest rates raised from

12 per cent to 16 per cent, though some economists believe this is still too low to allow sound lending to small farmers.

In addition banks are to be forced to allocate 20 per cent of their loan portfolios to small businesses, with assets less than Rp100m (\$20,000). The maximum loan will be Rp200m. Foreign and foreign joint venture banks are exempt.

Yesterday's announcement is the latest of a string of reforms aimed at improving efficiency of banks striving to finance the growth of the world's fifth most populous country.

It comes after earlier moves to boost the role of co-operatives in a restructuring of the economy amid renewed criticism of the dominance of private businesses or conglomerates. Liquidity credits formerly channelled the Government's large oil receipts to the state banks and were used to

refinance lending to priority sectors at subsidised interest rates.

They will now be allocated for co-operatives and small farmers. Also given priority is Bulog, the state logistics agency and market intervention board, which provides price support for key commodities like rice and sugar.

Since 1983 liquidity credits have risen by an average of Rp1,600bn a year and now stand at Rp16,700bn, around 30 per cent of total bank credit.

Mr Mooy described the system as inflationary and a burden on the small businessman and those with a fixed income. He said people now think of the programme as a social institution not a regular bank loan.

Because of the distortions Mr Mooy said it was also difficult for commercial banks to reduce interest rates, which at around 20 per cent are still among the highest in the Asian region.

## Tamil Tigers take control of Jaffna as Indians leave

By Mervyn de Silva in Colombo

INDIAN troops have pulled out of Jaffna, leaving the northern town in the control of the Tamil Tiger guerrillas they fought for more than two years.

The troops, who are scheduled to complete their withdrawal from the island by the end of March, evacuated Jaffna at the weekend and pitched camps at an airfield about 12 miles away.

The unannounced evacuation caught many Jaffna residents by surprise. One resident reported that the Tamil Tiger flag was flying all over town, shops were open, traffic was abnormally active and people were thronging the roads.

Jaffna, 156 miles north-east of Colombo, has been at the heart of the Tamil separatist revolt since it erupted in 1983.

An Indian peacekeeping force has been trying and failing to bring peace to the ethnically divided island since 1987.

The Indian evacuation leaves only one major town still

Trincomalee, 147 miles north-east of Colombo. An Indian departure from Trincomalee is expected to trigger a power struggle within the Tamil movement because the city is the base of three pro-Indian Tamil groups opposed by the Tamil Tigers.

One of the many negative consequences of the continuing ethnic violence is that more than 1,200 Sri Lankan doctors have left the island in the past two years. The Government desperately needs to recruit at least 500 immediately to run basic health services.

"Up to the mid-1980s, the exodus was largely Tamils fleeing the country because of ethnic strife, but in the recent past 50 per cent of those who have left are Sinhalese," said a Health Ministry official.

More than 600 left the country last year when protest strikes and terrorist death threats paralysed the universities and the privately-run Colombo Medical College. Many of them have found jobs in the Middle East and Africa.

The deepwater port of

## Growing fear of clash over Kashmir

By Our Foreign Staff

SRINAGAR, the capital of India's north-west state of Kashmir, remained tense yesterday as anxiety increased in the Pakistani capital of Islamabad about a possible clash between India and Pakistan.

The curfew imposed nine days ago in Srinagar was lifted again yesterday for seven hours. The army and paramilitary forces patrolled the streets in strength while people used the relaxation of the curfew to stock up on essential goods from the shops. At Lam, in south Kashmir, one person was reported killed and 21 injured during anti-Indian demonstrations.

Although both India and Pakistan want out of their way at the weekend to underline their desire to settle the emotive Kashmir issue peacefully, talk of war has sparked concern among diplomats.

Mr Inder Gujral, the Indian Foreign Minister, said unequivocally that India did not want a third war with Pakistan. In Kashmir, Mr Pakistani counterpart, Sahabzada Yaqub Khan, repeated the sentiment.

But a western diplomat in Islamabad said: "Both governments are weak and I think there is a real danger that they will be pushed into an escalating cycle of rhetoric."

Diplomats agree there is no imminent danger of conflict but said minority governments in both Islamabad and New Delhi could bow to vociferous public opinion. Much may depend on whether Pakistan's opposition parties try to use Kashmir as a weapon to whip up popular emotions against Mr Benazir Bhutto, Pakistan's Prime Minister.

India has received assurances from its major ally, the Soviet Union, that it continues to regard Kashmir as an integral part of India.

Mr S.K. Singh, the Foreign Minister's senior official, returned to Moscow yesterday after seeking support from the Soviet Union that it would continue to use its veto to block any attempts by Pakistan to raise the Kashmir issue in the UN Security Council.

Mr Singh's visit was part of intense diplomatic lobbying by India to try to win international opinion to its side.

Other difficulties have been in the privatisation of government enterprises. In the last year the state has sold 20 businesses, but most of these were small — many were hotels — and most buyers were individuals. The only big privatisation, the flotation of a glass bottle manufacturer, was a failure.

From businessmen's point of view the most exciting development recently has been the encouragement of offshore trading companies, which will engage in international transactions often requiring specialist regional knowledge and contacts, of the type associated with Lebanese merchants.

The feeling in Tunis is that most of the necessary reforms have been made but that the system works against their being effective. Although Tunisia gives the impression of being a fairly liberal, enterprising society, it is actually closely regulated economically and politically. A socialist system took root in the 1960s and it is proving difficult to

"The mentality of officials is that one needs approval for every minor transaction," a banker remarked recently. "They have little understanding that the transactions are simply not regarded as part of a government's business elsewhere in the world."

Part of the bureaucrats' reason for clinging to obstructive regulations is that it gives them an opportunity to increase their meagre salaries by accepting bribes. More important, the existence of rules gives them status.

The hope is that the bureaucracy will become more flexible and private investment will increase before the country is overwhelmed by rising unemployment.

If the hand of government can become lighter the country will be able to exploit its considerable assets, which include a good infrastructure, a well-educated, outward-looking middle class and a reasonably skilled and cheap labour force which makes it an attractive manufacturing base for European companies.

## The changes are in place, but Tunisia's bureaucratic past lives on

Despite an early start to reform and a more relaxed atmosphere, politics and economics are still closely regulated, writes Michael Field

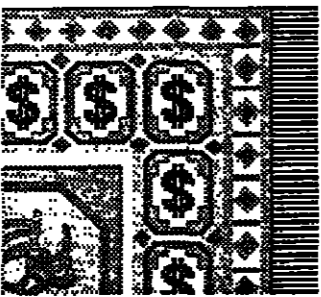
TUNISIA was not a happy country during the 1980s. The economic and social initiatives that gave it fast growth and stability during the 1960s and 1970s — the programme of education and the development of oil, tourism and offshore manufacturing — had run its course.

The Government could see no other obvious means of providing employment for its fast-expanding young population. That population has now reached nearly 8m. It is growing by 2.2 per cent a year. About a quarter of the workforce is unemployed.

To make matters worse, in three of the last four years there have been bad harvests. Up to two thirds of the country's wheat has had to be imported.

Food subsidies, costing some 380m dinars (\$253m) in 1989, are equivalent to the Government's budget deficit. When the Government tried to lower the deficit by reducing bread prices sharply in 1984 there were riots.

Tunisia's advantage is that it began to tackle these problems



## Arab Economic Restructuring

earlier than most other Arab countries. In 1987 President Ben Ali took over from the ailing Habib Bourguiba, whose later years had been marred by an endless round of palace intrigues.

President Ben Ali has not so far brought a material improvement to his people's lives but the political atmosphere is much more relaxed under his rule and there is greater faith that the country now has the right political base for reform.

Economic reforms were

started in 1988, a year before President Ben Ali's arrival, and he has continued and expanded the programme. The stimulus for the government action was the collapse in the price of oil, which at the time was the country's biggest source of foreign exchange.

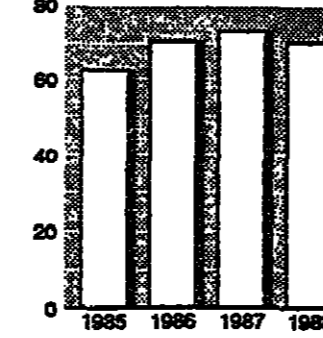
By acting early the Government avoided having to reschedule its debts. At present it owes some \$7.5bn, and debt service takes about a quarter of the country's foreign exchange income.

The International Monetary Fund and the World Bank are involved with the reform programme through the World Bank giving loans to back specific new policies, and, as with rescheduling agreements elsewhere in the Arab world, each deal being linked to the Government pushing through a specific set of changes.

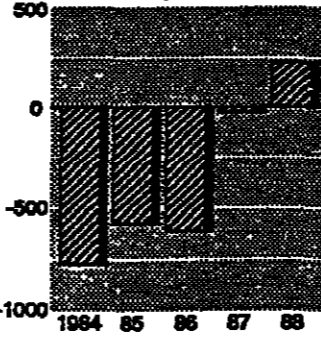
The reforms of the last three years have included the successful introduction of value added tax (which the Tunisians say shows how well they are in harmony with the European Community) and the liberalisation of imports. Some tariffs

## Tunisia

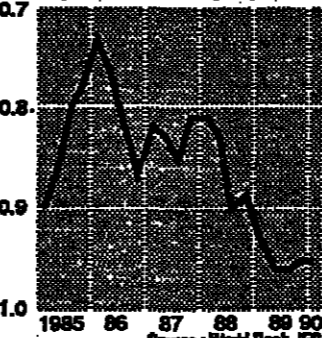
Total debt as a proportion of GNP



Current account (\$m)



Dinar against the Dollar (D/\$)



have been reduced and most items of capital equipment and semi-finished goods have been removed from the import licensing system.

The dinar has been devalued in stages by about 40 per cent and the intention is that in the early 1990s it will be floated, which will make it convertible.

The banking system has been partly deregulated. Citibank has recently been allowed to establish a full branch for domestic business and the

Arab Banking Corporation has been given a licence to do the same. It is hoped that their arrival will inject some competition into the system.

Lending rates are no longer set by the central bank, except for loans to agriculture and housing, but there are still regulations governing the amounts of banks' assets that must be lent to different sectors of the economy.

A recent reform, being pushed through on the insti-

tence of the President, is the reduction of the top rate of income tax from 65 per cent to 35 per cent, combined with measures to ensure that the lower amounts really are paid.

The main difficulties encountered by the Government have been in reducing subsidies and its budget deficit. Petrol prices have been raised to international levels but in real terms hardly any cuts have been made in the subsidy to bread and other wheat products.

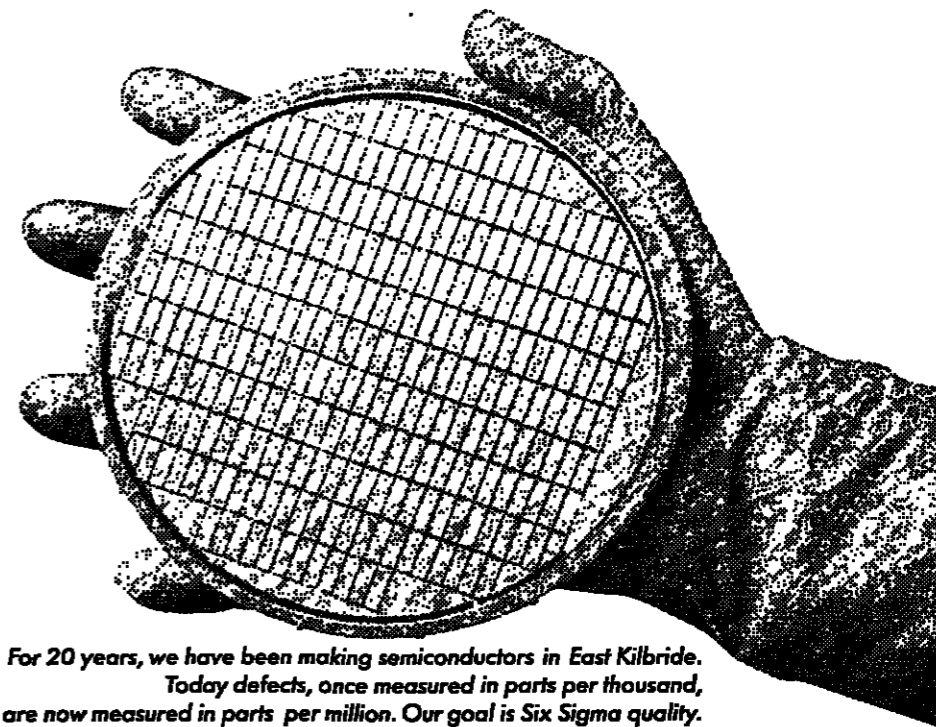
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Building On Beliefs

## AMERICAN NEWS

# Hurd asks US to help boost HK confidence

By Lionel Barber in Washington

MR Douglas Hurd, British Foreign Secretary, yesterday asked the Bush Administration to shore up confidence in the future of Hong Kong by offering US passports to colony residents employed by US companies.

The move, which would require legislation, is aimed at stemming the exodus of the Hong Kong middle class in the run-up to 1997, when Britain is due to hand over control to communist China.

Mr Hurd lodged his request during a working lunch with Mr James Baker, US Secretary of State, in which the two foreign ministers held wide-ranging talks on the future shape of Europe, German reunification, and closer US-EC ties. Mr Baker noted the passport request but failed to endorse it, according to Mr Hurd.

During their discussion, the two ministers apparently failed to resolve differences over the Vietnamese boat people in Hong Kong.

Referring to the onset of the sailing season and the prospect of a further 30,000 to 40,000 Vietnamese arrivals, Mr Hurd signalled that mandatory repatriation might be required to

deal with the influx. The US last week reiterated at an international conference in Geneva that it was opposed "in principle and practice" to mandatory repatriation, but found itself isolated along with Vietnam.

Mr Hurd voiced no objections to the US proposals announced yesterday to wind down three US bases in England: Greenham Common, Weathersfield, and RAF Fairford.

The move was compatible with the conventional forces talks in Vienna and with US membership of Nato, he said.

On the future of Europe, Mr Hurd said he had talked about German reunification "in the EC context, the Nato context and the Four Powers governing Berlin" (France, Britain, the US, and the Soviet Union). The two ministers also discussed "what needs to be kept, what needs to be changed" in a new European order.

In this context, Mr Hurd suggested, the upcoming East-West conference in Ottawa would embrace more than simply the US "Open Skies" proposal for intrusive monitoring of troop movements in Europe.

# Argentines unworried by bugging of the president

By Gary Mead

WHEN the First Lady of Argentina flounces out of the presidential residence, things begin to seem a little rotten in the state of Argentina. Zulema Yoma de Menem, President Carlos Menem's wife, has discovered bugs - specie John le Carré, not Darwin - in the Olivos palace.

"There are firm clues," says Mr Alberto Kohan (secretary general of the Casa Rosada, government house), in his best Sherlock Holmes style. So far he has not said what those clues reveal. The handful of bugs, discovered at the weekend, apparently function over short distances only and are thought to have transmitted to vehicles outside the Olivos residence.

But the revelation that Mrs Menem's private chats have been overheard has failed to excite public interest.

Last week we also heard Mr Menem reveal that telephone death threats had been made against Mr Ermano Gonzalez, the Economy Minister, though he did not go into details about them. The only threats which are apparent to the general public are those Mr Gonzalez himself has recently made about the survival of a deathed economy.

Argentines do not expect to learn who made the death threats, or who planted the bugs in Olivos. Most gave up trying to discern fact from fiction when the Menem administration told them that December's retail price inflation was only 40 per cent, a figure which tallied with no-one's experience at the supermarket, where prices doubled and tripled in the month.

Many believe both death threats and listening devices to be little more than a cross diversion tactic, to re-focus attention away from penny and towards an enemy.

Naturally, full investigations have been promised. But most expect these to go the same way as those promised for allegations of multi-million dollar ministerial corruption at the start of last December. The ministers then under suspicion continue in their posts. Mrs Menem is expected to be back soon.

# Salinas hopes to sell a country come of age

Robert Graham interviews the Mexican President on his first formal visit to Europe

WITH near missionary zeal, President Carlos Salinas de Gortari is determined to convince the sceptics in Europe that Mexico has come of age and is emerging from the debt crisis as a land of opportunity.

Accompanied by his key ministers, advisers and a select group of businessmen, he has turned his first formal visit to Europe since taking office 13 months ago into a gruelling hard-sell mission.

"The message we are bringing to European investors", President Salinas told the FT in an interview at the beginning of his three-day visit to Britain, "is that Mexico is in a strategic position. It is a big market of 86m people which by the end of my [six-year] administration will have grown by another 10m; Mexico borders with the world's biggest market and has access to two oceans."

The president is clearly concerned that just when Mexico is confident of having established the right environment to attract European investment, interest will be distracted by the prospect of fresh opportunities opening up within a fast changing Eastern Europe. Such concerns will be clearly expressed later in the week when he visits West Germany. In London, however, Mr Salinas has been concentrating on convincing the British business and financial community that the Mexican economy has permanently discarded protectionism and is firmly wedded to the global economy.

Although structural reform

of the Mexican economy began in earnest in 1987, Mr Salinas believes the catalyst for the country's new mood of confidence was last July's agreement with the commercial banks on restructuring \$48.5bn of medium- and long-term debt. "The net result is not only important in the saving of national resources but it has also been very important in providing confidence to Mexicans," he said. The transfer of resources would be cut from 6 per cent of gross domestic product to around 2 per cent. One immediate effect had been the return of flight capital last year to the tune of \$5bn to \$8bn - "We were not counting on this [last year] so it was a plus for us."

He also maintained that the \$2.7bn of foreign investment last year was in part a consequence of the debt agreement providing for the permanent recovery of the economy. This figure excluded debt conversion deals.

President Salinas continues to defend the July debt agreement as the best available and denies that the ultimate financial benefit is limited. However, he is quick to point out: "It did not solve our problems... our problems will continue and we shall have to put additional effort into making the economy more efficient." But without the agreement, no matter what effort we put into it domestically, we wouldn't have been able to recover growth.

The economy grew last year at 3 per cent, stronger than the projected 1.5 per cent, with



President Salinas had his first full working day yesterday. Those accompanying him included Mr Pedro Aspe, the Finance Minister, Mr Fernando Solana, Foreign Minister, Mr Jaime Serra, Commerce Minister, and Mr Patricio Chirinos, Environment Minister.

Inflation down to 19 per cent, he said. As for the current year, he expects the economy to continue to grow at 3.5 per cent, the stimulus coming from private investment which last year increased 10 per cent. There was also some room for manoeuvre provided by oil prices since this year's budget

had been based on \$13 per barrel for oil exports.

"The public sector, even though it has more resources from the debt renegotiation, no resources will be enough for the demands we have... we have so many vast needs," President Salinas therefore regards privatisation as the key to unlocking state funds for social needs in education and health.

The biggest privatisation, of Telcel, the national telephone company, is now under way, he says. Telcel was last year transferred to the hands of Mr Pedro Aspe, the Finance Minister, and his ministry, which has been restructuring its tax base and tariffs to improve cash flow before flotation. Foreigners will be allowed up to 49 per cent but majority will stay in Mexican hands.

The Telcel privatisation has been unanimously endorsed by the trade unions, Mr Salinas says, because "I convinced them they would be worse if the company remained in government hands. If it remained in government hands it would compete for resources... I convinced them that if they wanted better wages, they would be better off in the private sector."

The Government is looking for foreign investment for some \$11bn over the next five years to finance Telcel's expansion, he said. Such a sum was equivalent to the entire investment requirements for education. The president says the policy of privatisation is being "sold" to the public on the basis that it was providing direct benefits

to their standard of living.

On de-regulation of the economy, President Salinas says a shake-up in the tightly monopolistic transport sector last year produced savings of 30 per cent. The country's trade policy has been liberalised, making it one of the most open in Gatt. Average tariffs are 6 per cent and 95 per cent of items are now being imported without licence. He fears that the European Community, having encouraged such liberalisation, will begin to raise its own barriers after 1992.

"We find too many barriers [in the EC and the US]. Reciprocity is not there. 1992 looms as a date for an inward-looking Europe, so we are working today so that with efficiency and competitive prices our products will be able to be part of the European market."

On trade with the US, he says Mexico favours "a sector-by-sector trade agreement, so we have guaranteed access to the US market."

Mexico is in the process of negotiating a trade agreement with Canada, similar to that with the US. Mr Salinas is cautious on the idea of expanding these agreements into a North American common market but is increasingly aware of the need to be wary of protectionism from the two powerful northern neighbours.

The prospect of guaranteed access to the US market and Canada was another positive element he hopes to sell to his audiences in Belgium, Switzerland, the UK and West Germany.

# FDA approves drug for AIDS infections

By Alan Friedman in New York

THE US Food and Drug Administration (FDA) yesterday approved the use of fluconazole, a drug which represents a breakthrough in the treatment of two AIDS-related fungal infections, one a life-threatening form of meningitis.

Meanwhile, the FDA's advisory committee met yesterday in Bethesda, Maryland to consider whether to approve the use of the drug AZT (or Retrovir) for infected, but not seriously ill, AIDS patients. AZT, made by Wellcome, the UK drugs company, is the only anti-AIDS treatment.

The US regulatory agency is expected to announce today

that it will allow more general use of AZT, which has generated controversy among AIDS sufferers because of its high price.

Fluconazole, which was developed by Pfizer, the US pharmaceuticals company, is likely to become a highly useful treatment for AIDS patients who develop cryptococcal meningitis, an inflammation of the brain and nervous system.

The drug will be marketed in both a tablet and intravenous form under the trade name Diflucan. It first came onto the world market six months ago when it was approved by drug authorities in Japan.

# Mexicans voice worries about foreign competition

By Richard Johns in Mexico City

THE organisation representing Mexico's smaller manufacturing businesses has called for a modification of the *apertura* - the policy of opening the market to foreign competition.

The plea from the National Chamber of Industrial Transformation (Canacinta) comes only a few days before President Carlos Salinas de Gortari's meeting in Geneva on February 1 with Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade. Mr Salinas arrived in the UK at the weekend on his European tour and had a meeting yesterday with Mrs Margaret Thatcher, the British Prime Minister.

Mr Salinas is expected to press com-

plaints to Gatt about non-tariff barriers impeding its exports and, with the Government having promised to introduce legislation on intellectual property rights soon, evidently feels that he will be on strong ground.

At present Mexican tariffs average 6 per cent and the country is generally reckoned to have moved fast in fulfilling commitments to Gatt since joining in 1986.

Canacinta complains that the *apertura* has led to the closure of many manufacturing plants and an increasing tendency among industrialists to switch to activity in the service sector. It claims that Mexico's trade liberalisation has proceeded much faster than Gatt

rules have required.

Quoted by the newspaper *El Financiero*, its economists forecast that the country's trade deficit will rise to \$2.3bn in 1990 compared with the Government's budgetary projection of \$2.44bn projected in the 1990 budget (on the conservative estimate of an average oil price of \$13 per barrel).

They predict, however, that the main increase in imports next year will be the result of the demand for capital goods - presumably by the larger and stronger companies - fuelled by the overall economic growth of 4 per cent officially projected.

Independent economists believe the official estimate for 1990 of a 9 per cent

increase in imports is over-optimistic

and the rise will be significantly higher. An unprecedented delay in publication of trade figures has led to speculation about the extent of Mexico's commercial deficit in 1989.

Official figures for August showed a deficit of \$107.4m for that month. Seemingly well-informed press reports have reported a \$220m deficit in September.

On a monthly basis, despite higher oil earnings, it is reckoned that it would have been at least as high for the last three months of 1989, not least because of a big pre-Christmas surge of imports meaning a trade deficit for the year of no less than \$600m. Gatt dumping code, Page 3

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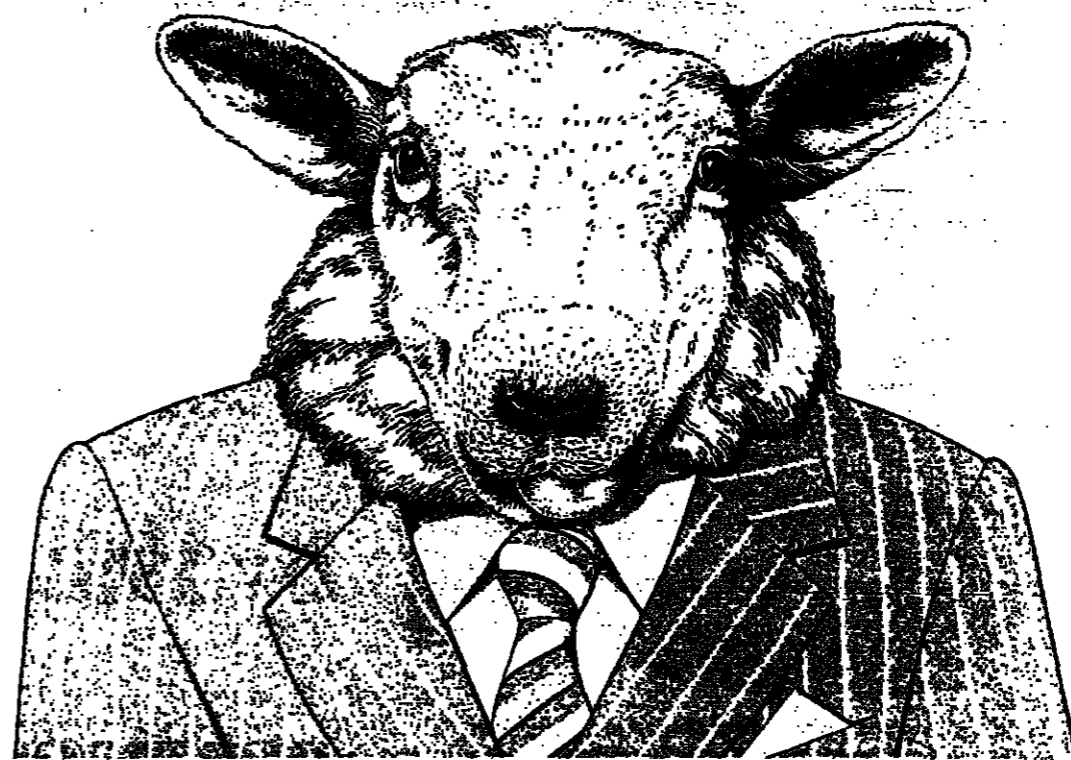
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## US BUDGET

## ECONOMIC OVERVIEW

## Cutting the appetite of the 'Cookie Monster'

THE BUSH Administration expects the federal budget deficit to decline to \$63.1bn in the 1991 fiscal year starting this October from an estimated \$123.3bn in the current year.

The drop reflects the expectation of higher revenue thanks to economic growth and \$36.5bn of specific policy measures on both the spending and tax side. The deficit is estimated at around \$100.5bn if current policies are continued and spending is increased in line with inflation. This is the baseline in the accompanying table.

In a colourful introduction to the budget, Mr Richard Darman, the Budget Director, is cautiously optimistic that the pattern of erosion in the deficit of the early-to-mid 1980s seems to have been broken and "by many measures the deficit is headed towards improvement - assuming that economic growth is continued".

However, he compares the budget to a character in the Sesame Street children's television programme known as the Cookie Monster who gobbles up everything in his path, and picking a comparison from a video game of the 1980s, he warns of hidden Pacmen ready to absorb future resources in the shape of future, unfunded liabilities.

Over the longer term the budget is expected to be in balance in fiscal 1993 when some of the surplus on the social security fund will be separated into a special fund to pay off the national debt. This will still leave a small overall surplus.

However, the statutory targets under the Gramm-Rudman deficit reduction law have

regularly been exceeded in the past, due to over-optimistic economic assumptions or excess spending. For instance, the fiscal 1989 deficit turned out to be \$152bn against the target \$136bn, and the deficit for this year is projected to be \$23.5bn over target.

The economic projections of the Bush team headed by Mr Michael Boskin, the chairman of the President's council of economic advisers, have so far been nearer the outcome than those of the Reagan era.

The Budget projects a rise in gross national product in real, inflation adjusted, terms of 2.6 per cent in the year to the fourth quarter of 1990, followed by two years of growth of slightly above 3 per cent. This is at the optimistic end of the range with both the Congress-

sional Budget Office (CBO) and the consensus of leading private sector forecasters known as Blue Chip projecting a 1.5 per cent rise this year.

In detail, the Administration says that "strengthening consumer spending and an upturn in residential construction are expected to provide most of the impetus to growth, offsetting a smaller improvement in foreign trade, a slower growth of business fixed investment and restraint in federal purchases of goods and services".

There is more agreement that the annual rate of consumer price inflation will slacken slightly from 4.7 per cent in the fourth quarter of 1989 to 4.1 per cent by the end of this year. The Administration expects unemployment to average 5.4 per cent in the

fourth quarter, and the interest rate on three-month Treasury bills is estimated at 6.7 per cent - in both cases 0.2 percentage points less than the CBO projections.

The budget document also discusses alternative assumptions. For instance if real GNP growth is lower by one percentage point in this calendar year, and the unemployment rate rises by 0.5 percentage point (as many outside forecasters expect) the deficit would be \$14.1bn higher in fiscal 1991 than at present projected. In the year to the fourth quarter, this would mean expansion of 1.9 per cent against 2.6 per cent.

However, if the 1 per cent lower annual GNP growth rate and higher unemployment is sustained during the 1990-95

period, the fiscal 1991 deficit would be \$23.6bn higher than at present, and \$40.5bn higher in fiscal 1992.

Hence, the planned fall in the deficit is heavily reliant on continued economic growth boosting tax revenues. To reduce the deficit to below the Gramm-Rudman statutory target still requires \$36.5bn in policy changes on the basis of the Gramm-Rudman law.

More than a third, or \$13.9bn, comes from additional revenue - estimates of which are highly provisional in view of the intense debate in Congress over rival tax measures. This includes the expected \$4.5bn initial boost to receipts from cutting capital gains tax, \$3.5bn from extending payroll taxes on state and local government workers, \$1.5bn from extending the due to expire levy on long-distance telephone calls, \$500m from increasing the tax on airline tickets and \$3bn from an assortment of Internal Revenue Service initiatives.

So-called user fees are being imposed on securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other government-sponsored entities. These are designed to reimburse the Government for the borrowing advantages which these agencies enjoy.

An 11 cent fee per transaction in the futures market, to be imposed from October to cover the costs of the Commodity Futures Trading Commission.

On the other side, revenue is expected to be lost from the introduction of Family Savings Accounts and enterprise zones.

On the spending side, most of the savings are in domestic programmes and only about \$6bn from defence.

There are increases in spending on the space and drug programmes. But cuts - certain to be controversial with Congress - are proposed in Medicare health payments (down \$2.2bn), commodity price supports (cut \$3.1bn), and meal subsidies for children above the poverty line (reduced by \$500m).

The Administration proposes that the additional working capital needs of the Resolution Trust Corporation in "rescuing and reorganising the savings and loan industry (as much as \$40bn to \$100bn) should be treated separately from the Gramm-Rudman deficit reduction law. Such temporary capital, to finance purchases before assets are sold, should not affect the annual calculations on whether the target has been met and whether across-the-board spending cuts known as sequestration are necessary.

An expansion in the foreign aid budget is being sought with \$300m for a special assistance initiative for the new democracies of Eastern Europe and \$200m in special help for the Philippines.

The budget also seeks \$3.2bn in contributions over the next three years for the International Development Association, the soft-loan arm of the World Bank.

In 1991, the Export-Import Bank will provide \$500m in loans and \$10.5bn in guarantees and insurance to support US export sales.

Peter Riddell



Darman: an idiosyncratic introduction to the budget

## POLITICAL OUTLOOK

## Darman resigned to annual ritual of 'heroic compromise'

"BE SERIOUS," is the challenge which Mr Richard Darman, the Budget director, throws down to the US Congress in his idiosyncratic and lively introduction to yesterday's Budget. But the elegant, and will be thrown back at him.

The evasions and hypocrisy in the US budgetary process which Mr Darman so accurately lists are not just on the side of Congress. They also apply to the Administration. There is a mutual suspicion which will ensure that yesterday's budget is even more provisional than usual. Its final version in eight or nine months will be much changed.

There are four key uncertainties: first, whether the economic assumptions are too optimistic; second, over the level of defence spending; third, over the projected savings in domestic programmes; and fourth, over tax and social security.

In all areas, the Democratic-controlled Congress will have a different view from the Administration. Democrats will want to rein back savings on domestic programmes such as Medicare health payments and transport, and to the Amtrak rail system.

Instead, there will be a strong temptation to seek bigger cuts in the defence budget than the 2 per cent annual reductions in real terms proposed by the Administration. The changed international climate could overwhelm the Administration's caution.

Similarly, there is likely to be a furious debate over tax policy. This has been given a new dimension by the post-Christmas suggestion of Democratic Senator Daniel Patrick Moynihan of a cut in the social security payroll tax, for both employees and employers.

He says this is justified on grounds of fiscal honesty since the large, and rising, surplus on the social security trust fund (to pay the pensions of the Baby Boom generation) is partially offsetting the continuing big deficit on other federal operations.

The Administration's reply to this problem (produced before the Moynihan plan) is gradually to separate social security surpluses from the rest of the budget and to create a special fund to start paying off the national debt. But this only takes effect after fiscal 1999 when the overall budget is supposed to be in balance. In practice, this means that the Government will aim for a continuing fiscal improvement after 1993.

Senator Moynihan's "gratitude" as Mr Darman aptly described it, has exploded to confuse the whole tax debate. Congressional leaders are mainly cautious about a cut in payroll tax because it threatens to raise the deficit and/or require increases in other taxes.

The main reaction to the budget is likely to be that, for all Mr Darman's fine intentions, the real problems have again not been tackled. Hardly anyone in Washington believes the deficit for fiscal 1991 will be only \$68.1bn; domestic spending will be higher and revenue

may be lower (not least if the economy slows further or there is a recession).

Mr Darman points to potential liabilities from unfunded health and retirement programmes, environmental clean-ups and losses on federal credit and insurance programmes, costing a possible \$25bn to \$50bn a year. He compares their threat to future budgets to hidden Pacmen in the video game.

Scepticism is underlined by the disclosure that the deficit for the current fiscal year, which started last November to be only just over the target of \$100bn - will now be \$123.3bn. Many economists believe the overshoot will be larger.

A grand budget deal of the kind agreed in 1987 after the stock market crash looks unlikely, unless the markets intervene. Mr Darman said on Sunday that he would like to have "a large-scale compromise package" but he did not think that was probable. Instead, "we're more likely to have to keep going at this incrementally".

## Many Democrats remain suspicious of the Budget Director

One reason is the tensions between Mr Darman and Congress last year during the row over capital gains tax, which, for a time, jeopardised the bipartisan budget accord reached in April. Mr Darman is assumed for his readiness and originality but many congressional Democrats remain suspicious of his deviousness. Congress is also reluctant to become involved in a serious debate while President Bush sticks to his "no new taxes" pledge (however stretched that is with an assumed \$13.9bn in additional new revenues).

Mr Darman's introduction may attract as much attention as the specific, and certain to be amended, budget proposals. Few would quarrel with his description of the annual ritual of the Budget Game. "At the start, it is predictably partisan. Priorities are judged to be incorrect. Economic assumptions are ridiculed (but later, adopted). Gimmicks are scorned (but later, outdone). The failure of the budget process is lamented (but ideas for evasion proliferate). The refusal to raise new taxes is condemned (as proposals to cut taxes are advanced). Incentives for savings and investment are criticised for their alleged adverse effects on the deficit (as alternative proposals to increase the deficit are advocated). Stalemates are followed by 'heroic compromises' that earn the parties self-congratulation, but somehow manage to leave much of the serious job to the future. And the public understandably grows more sceptical."

The budget proposals, as opposed to Mr Darman's stimulating analysis, are unlikely to reduce that scepticism.

Peter Riddell

## DOMESTIC SPENDING

## More money to go on space, technology and the war on drugs

SPACE, civilian technology and the drug war have emerged as the leading Bush Administration priorities among the welter of domestic claimants for a larger slice of the 1991 US budget.

The Administration also proposes increased funding for the AIDS crisis, the environment, pre-school education, hazardous waste clean-up, air traffic control and housing. Agriculture spending, which increased dramatically in the last decade, seems targeted for the biggest hit.

Under the Bush budget, the National Aeronautics and Space Administration (Nasa) wins the largest increase for a government agency, with a total budget of \$15.2bn, rising 24 per cent in the current year. The blueprint provides big increases for space activities - including research, development and operations - in support of the manned "Space Station Freedom", space shuttle flights and President Bush's proposed manned space flight to Mars.

The budget proposes significant spending for the Mars Observer, a robotic mission scheduled for launch in 1992. It proposes a total \$2.5bn for the space station, a 36 per cent increase over last year, and \$4.2bn, a 22 per cent increase over this year, for shuttle production and operations.

Nasa will also play a role in the US Global Change Research Programme, a \$1bn effort designed to give the US "a world leadership role" in climate change research.

The Administration intends a big shift and increase in research and development funding. Out of a total budget authority of \$71bn, the Administration would increase civilian R & D by three times more than defence-related activities. The National Science Foundation would get a 14 per cent increase in its budget, with an eye towards a doubling of resources by 1993.

The budget calls for a \$100m, or 46 per cent, increase for the Superconducting Super Collider, a doubling of funds for agriculture research to \$100m; an 8 per cent rise in spending for energy conservation, solar and other renewable energy technologies; and an 18 per cent increase in spending for AIDS research, prevention, treatment and income support.

The Administration unveiled its drug proposal last week, a \$1.1bn increase to \$10.6bn. The reviews have been good, but key Democrats want more.

A 7 per cent increase to \$4.1bn is requested for the Federal Aviation Administration, including a plan to add almost 500 more air traffic controllers, 300 safety inspectors and more security specialists. The budget also includes \$150m for aviation research and development and new spending proposals to enlarge airports.

Mass transportation gets no boost in the proposals and the emphasis is on federal assistance to maintain the capital infrastructure and reduce federal operating subsidies.

The Administration suggests that the federal government

can become a "catalyst" for mass transit initiatives undertaken by local governments and the private sector.

The budget takes a mere stab at reducing the burgeoning homeless population by providing almost \$1bn for various "new approaches". Families would be moved out of "welfare hotels". Comprehensive services would be provided for 8,400 of the hundreds of thousands of mentally ill homeless or recovering substance abusers. Funds would be shifted from the inadequately-financed low-income rental programmes to a scheme allowing the poor to buy public housing.

## A big increase is earmarked for the proposed manned space flight to Mars

The Administration insists that the responsibility for training the workforce rests primarily with the private sector, but it notes that minority workers, who represent about 15% of the workforce, receive only 8% of all formal training. It proposes a new \$50m multi-year programme, targeted to high poverty inner cities and rural areas, which would require local funds and local housing and anti-drug programmes to help young "at risk" people finish school.

The budget document of the "education president", as President Bush said in 1988 he would like to become, turns defensive in its schooling proposals. It stresses the Administration's view of a "limited but important" federal government role in education, emphasising that although spending per pupil has risen steadily, the results of this outpouring (main from the states) has not been sufficient.

The Administration would add \$500m in spending authority for the much-praised "Head Start" pre-school programme for children from low-income families; a 25 per cent increase, to \$239m, for adult literacy schemes and \$20m, a 70 per cent increase, for mathematics and science education programmes.

The budget goes on to note that despite this limited role, the 1991 budget proposes the "highest spending levels ever". No real spending comparisons are included. But a proposal for \$19m for primary research and statistics research of education could conceivably produce data that figure next year.

The Administration proposes spending \$4.2bn to clean up hazardous materials at nuclear plants, an increase of \$642m over the current year.

Nancy Dunne

## DEFENCE

## Pentagon aims to head off claims from Congress that 'peace dividend' is meagre

THE Pentagon's fiscal year 1991 defence budget request to Congress has already been dubbed the first post-Cold War budget.

As Mr Richard Cheney, Defence Secretary, pointed out yesterday, it represents "the first steps" in responding to changes in Eastern Europe and the Soviet Union, as well as tighter budgetary constraints. As a result, the Pentagon has conceded the need for lower force levels, the end of several major weapons programmes, and the closure of military bases at home and abroad.

It is tempting - but wrong - to conclude that the Bush Administration has pressed the panic button. Reports of immediate large-scale troop withdrawals from Europe, military base closures, and a retreat into neo-isolationism are therefore wide of the mark - at least in the short-term.

The really difficult decisions on US force structure begin to loom much later in fiscal 1992, 1993, and 1994 when the annual 2 per cent planned cuts begin to bite.

As Mr Sean O'Keefe, the Pentagon's top budget planner, conceded during a weekend briefing: the target of \$308bn in 1994 can only be hit if the 1991 budget request goes into effect; if planned defence management savings of \$39bn are reached; and if there is an aggressive follow-up of the current CFE conventional forces talks in Vienna.

The Pentagon's five-year spending plan discloses that the proposed cuts in fiscal 1991 are modest indeed. The budget request is \$22.4bn below President Bush's 1989 plan, but it still amounts to a sizeable \$298.1bn. This represents a 2.6 per cent cut in real, inflation-adjusted terms compared to fiscal 1990. But if one includes money for nuclear programmes in the Department of Energy budget, US national defence spending this year is still planned at over \$300bn.

Mr Cheney's task is to persuade Congress that he has cut deep enough. As members returned to Washington this week, the phrase on everyone's lips was "peace dividend" - the savings expected to be generated by cuts in military spending to be reallocated to domestic issues such as education, "the war on drugs", tax incentives to increase saving and rebuilding America's decaying infrastructure.

In an effort to head off a stampede, Mr Cheney has pro-



Cheney argues that radical changes in force structure must await completion of arms control deals

posed cuts in 20 major weapons programmes, including the V-22 Osprey high-speed helicopter, the F-14 fighter, the M-1 tank, the Maverick missile, the Apache helicopter, the Advanced Short Range Air-to-Air missile and the MX 10 Grenade Launcher.

He is also calling for the disbanding of two Army divisions in Texas and Washington state; retiring two of the Navy's four Second World War battleships; and cutting active duty personnel by 91,429 to 2,038,900. Personnel in the Army and Air Force will be down to their lowest levels since 1950 (not counting reserves).

Even more important, Mr Cheney is proposing to cut procurement of weapons from

\$82.6bn this year to \$77.9bn in fiscal 1991. Defence Department officials argue that this marks a serious effort to correct the sins of the past when, under the Reagan build-up, procurement plans ballooned out of all proportion to the amount of money which Congress was prepared to authorise. (This created the present \$180bn gap between planned spending and future Congressional funding which the Pentagon budget teams are labouring to close.)

Most congressional observers will note, however, that Mr Cheney is keeping as much as he is giving away. For example, he is keeping 14 aircraft carrier battle-groups, the heavily expensive floating fortress of fighter-planes, aircraft carrier, and support ships; he is insisting on continued funding for the controversial B-2 Stealth radar-evading bomber which costs \$330m a shot; he wants to fund both the MX and the Midgeman land-based strategic ballistic missile; and he is requesting \$4.5m for the Strategic Defence Initiative, the "Star Wars" programme aimed at providing the US with a defence against a nuclear attack.

All these programmes are considered necessary because, in Mr Cheney's words, "this is the most possible time to contemplate changes in defence strategy".

Both Mr Cheney and President Bush will argue that they cannot make radical changes in force structure until the US

completes two far-reaching arms control agreements this year: the Start pact with the Soviet Union cutting strategic offensive nuclear arsenals by 50 per cent and the CFE conventional forces agreement in Vienna which provides for the reduction of US forces in Europe from the current 305,000 to 375,000 (compared to a far greater asymmetrical Soviet cut).

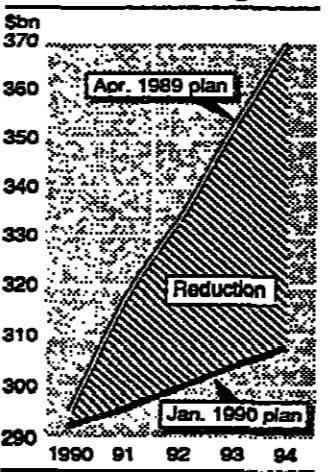
It is questionable whether Congressional Democrats will buy this argument. Pressure is already building among the rank-and-file in the House of Representatives - led by Ms Pat Schroeder and Mr Ron Dellums - for far bigger cuts. In the Senate, Mr Sam Nunn, chairman of the Armed Services committee, has signalled that he supports a "partial gradual draw-down of US troops in South Korea, Japan and Europe".

Mr Cheney's message to Congress is "trust me". In effect, he hopes that members will allow him to begin to make the adjustment from the helicopter Reagan rearmament programme in a planned rather than a piecemeal fashion.

While the odds look stacked against him at the moment, the chances of forging a consensus should not be underestimated. Mr Cheney, a former House Republican, is after all working within a political system which loves to postpone difficult issues and reacts more by calendar, than by crisis.

Lionel Barber

## US defence budget



## SAVINGS

## Cut in capital gains tax is key proposal to encourage investors

A WIDE-RANGING package to encourage an increase in US private savings is contained in the Budget.

A lengthy section discusses the problems posed for the US by its low level of national savings by international standards, notably the resulting high real interest rates (in turn reducing investment) and dependence on foreign capital.

In order to boost domestic saving the Budget emphasises the importance of securing a balanced Budget by fiscal 1993 with the national debt being subsequently reduced in line

with the social security surplus. It is estimated, for example, that by about 2030, the capital stock could be more than 20 per cent higher and real gross national product could be 5 to 10 per cent higher if Federal debt is retired in the same magnitude as the social security surplus.

As last year, the main proposal to promote savings and risk-taking investment is a capital gains tax cut, which was blocked in the Senate last November. The new plan is for a sliding scale cut on longer-term gains.

A 30 per cent exclusion from

income tax would be provided for investments held for at least three years, with a 20 per cent exclusion for gains on holdings of between two and three years, and a 10 per cent exclusion for one to two years. For investments held at least three years the maximum tax rate on capital gains would be reduced to 19.6 per cent for those in the 28 per cent tax bracket. The three-year holding period would be phased in over three years.

To stimulate personal savings, a new Family Savings Account is being proposed. This would exempt from

income tax the interest income for non-deductible contributions to such accounts that are held for seven years. Non-deductible contributions would be limited to \$5,000 for couples filing jointly and \$2,500 for those filing a tax return singly.

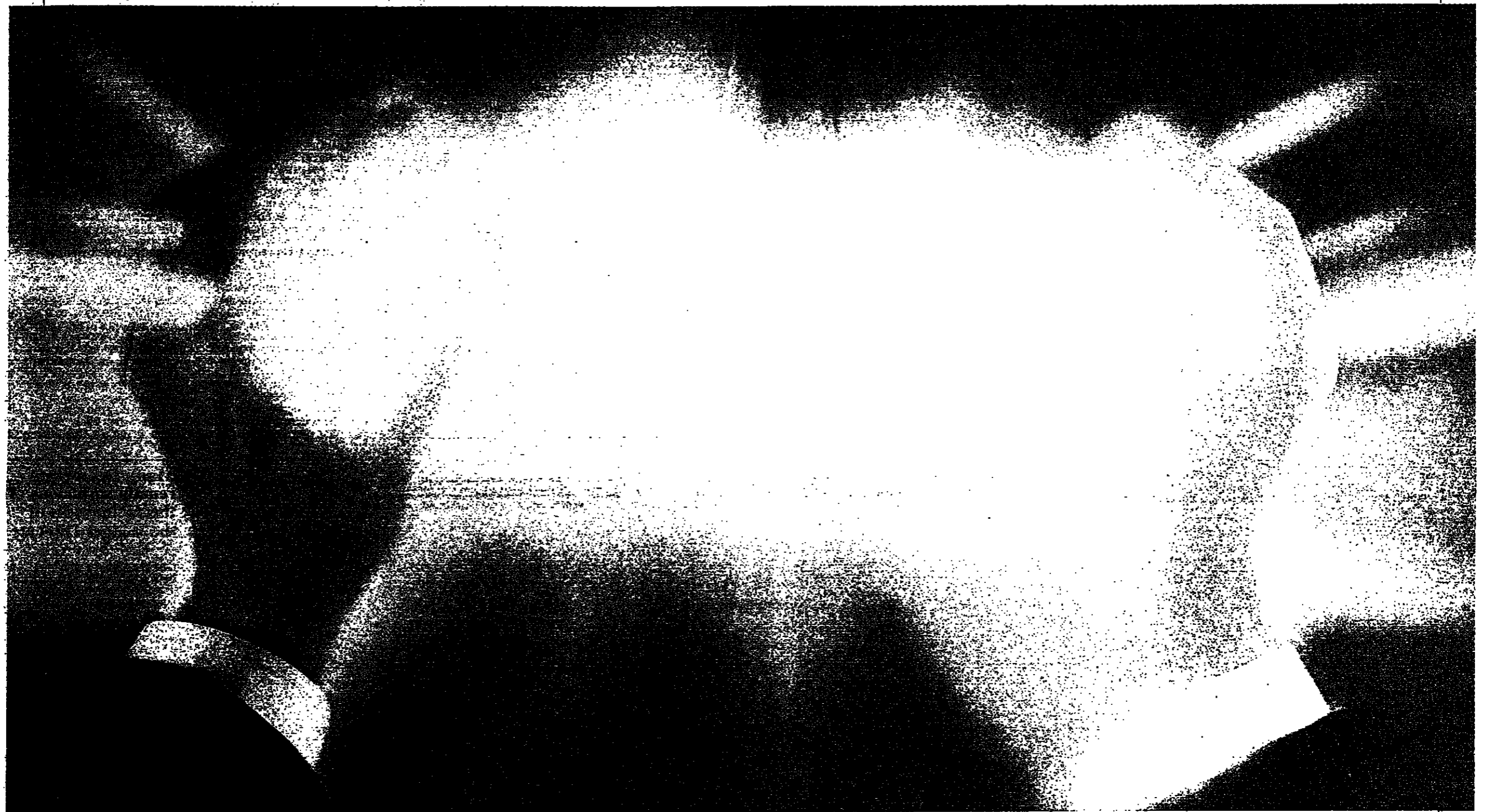
Contributions to these accounts will be limited to joint filers with incomes below \$120,000 a year, and single filers with incomes below \$60,000. Withdrawals after seven years will be tax free, and those before three years will be subject to a 10 per cent excise tax penalty on investment income. With-

drawals made before expiration of the seven years will be subject to income tax on the investment income.

In addition, the administration proposes to modify current individual retirement account rules to allow a waiver of the 10 per cent excise tax penalty for early withdrawals of up to \$10,000 if the withdrawn funds are used for first-time home purchases (provided the home bought costs no more than 110 per cent of the median home price in the area).

Peter Riddell

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## UK NEWS

# Receivership at Response puts 4,000 jobs at risk

By Alice Rawsthorn

RESPONSE, the UK clothing company linked to Coloroll, the troubled home products group, went into receivership yesterday putting at risk the jobs of 4,000 employees in the UK and the Irish Republic.

The news of the receivership means that Coloroll could be called upon to honour the contingent liabilities of around £24m it incurred 18 months ago after selling Response to a management buy-out team.

Last week Coloroll, which has been hit by the impact of higher interest rates on the home products market, issued a profits warning and announced plans for a financial restructuring to recapitalize its business.

Response is the latest, albeit the largest, of a number of textile companies to have gone into receivership. Recent casualties include the Oakwood Group with workforce of 2,000 and T.W. Kempton with 1,200 employees. The industry is suffering from the slowdown in consumer spending and intense competition from imports.

Response has suffered from the industry's difficulties. But its main problem was the burden of borrowings inherited in its £90m buy-out from Coloroll. The group is understood to be operating profitably on turnover of £130m. But it was unable to meet the interest on its debts and, as a result, has called in Ernst & Young as receivers.

Response is the product of a series of acquisitions made by John Crowther, the textile group taken over by Coloroll two years ago. After the takeover the Response management led by Mr David Suddens, a former Courtaulds executive staged a buy-out. Coloroll retained a 6 per cent stake in Response and was involved in the mezzanine financing for the deal.

Since the buy-out Response has reduced its workforce by 700 through closures and disposals. Its interests are now divided between Speedo swimwear, the WW Group, which imports clothing from the Far East; and a group of clothing companies making own label

merchandise for multiple retailers like Marks and Spencer and Storehouse. Some of the operating subsidiaries have not gone into receivership.

Ernst & Young is now trying to find buyers for the Response businesses. The level of Coloroll's liabilities will be determined by how much of the business can be sold. In the worst possible scenario, Coloroll would write off £3m of equity and increase borrowings by £21m, thereby reducing net assets by £24m.

Mr Eric Kilby, deputy chairman and finance director, said Coloroll had secured agreement in principle from its banks to provide short term support until its restructuring is completed.

Coloroll's advisers - Warburgs and Morgan Grenfell - are now putting together plans for the restructuring, which should be completed within a few months. The restructuring is expected to provide an injection of capital for Coloroll and could involve changes in its senior management.

## IN BRIEF

## Church says policies have widened poverty gap

CHANGES IN taxation and social security have greatly widened the gap between Britain's rich and poor and increased dependence on private charity, the Church of England says in a report published yesterday.

The report, endorsed by Dr Robert Runcie, the Archbishop of Canterbury, follows Faith in the City, a controversial study of urban problems published in 1985.

Some Conservative MPs condemned Faith in the City as anti-Government and even Marxist. Although the new report uses balanced language in its conclusions, it contains further criticism of government policies towards the poor, and its publication brought immediate condemnation from a number of Conservative politicians in the House of Commons.

## Teijin promotion

Teijin, a Japanese drug company, is planning a new unit based in London to promote cooperation with European pharmaceutical groups. It could be set up later this year as a further stage in the recent moves by a number of Japanese medicines companies to strengthen their European marketing and research presence.

## Move on wine sales

Publicans and cafe proprietors are to be compelled to display the quantity and price of wine sold by the glass, Mr Eric Forth, Consumer Affairs Minister, said.

## Production date set

Nippon Seiko (NSK), the Japanese bearing maker, said that its new components plant, built at Peterlee, Co. Durham, at a cost of £12.5m, will go into commercial production in April.

## Societies to merge

The Regency & West of England Building Society announced plans to merge with the smaller Portman Wessex Building Society. The deal creates a new society with total assets of £2.5bn and 130 branches.

## Hillsborough inquiry report



Scene of the past: the report calls for stadiums such as Wembley, above, to be all-seater and for pitch invasions to be ruled illegal

## Judge lays down the law on soccer

Philip Coggan on the robust lessons drawn from a stadium disaster

LORD TAYLOR'S final report on the Hillsborough football disaster, in which 96 fans died as a result of crushing on the terraces, provides a comprehensive rebuttal of the rationale behind the national identity card scheme.

In a robustly written report, the judge says that he has "grave doubts about the feasibility of the scheme and serious misgivings about its likely impact on safety". On Part Two of the Football Spectators Act, which aims to prevent convicted hooligans from travelling to matches abroad, Lord Taylor is more positive.

He describes the proposal as a sensible measure to tackle a persistent mischief. "To adapt a famous dictum," he says "never in the field of sport has so much odium been brought upon so many by so few".

Contrary to recent speculation, Lord Taylor's objections to the membership scheme do not consist solely of a fear that congestion outside the ground would lead to a repeat of the Hillsborough disaster. He also cast doubts on the ability of such a technically complex system to function efficiently.

The report says that "the technology will not only have to be capable of fulfilling the requirements of the scheme without malfunction, in all weathers and at the stipulated

speed. It will also have to be resistant to the ingenuity of those who may seek to sabotage it or find a way round it. It will need to do these things not just most of the time, but all of the time. This is a very tall order and...I have the gravest doubts if it can be met."

As well as referring to the technological problems, Lord Taylor doubts whether the scheme would be effective in its aim of excluding hooligans. "A serious defect in the scheme," he says "is that the entry procedure will not involve checking the photograph on the card against its presenter. Such checking is precluded by the need for speed. But the main rationale of having a photograph of the member is defeated if it cannot be relied upon to exclude someone else from using the card."

The judge also points out that many trouble-makers will travel to matches whether or not they will be able to watch the game. "It would be surprising if hooligans... were totally to abandon their activities of attacking and hitting away supporters just because they could not themselves get into the ground," Lord Taylor concludes that in the short term, at least, the identity card scheme could actually increase trouble outside grounds.

The alternative strategy for combating hooliganism suggested by Lord Taylor

involves a combination of four possible measures. The first is developing the potential of closed circuit television and the police's National Football Intelligence Unit. The second is the creation of new criminal offences - throwing a missile, obscene or racist chanting and going on the pitch without reasonable excuse. The third and fourth measures involve proposals to exclude hooligans from grounds - by making them visit attendance centres or by electronic tagging.

Moving away from the question of hooliganism to that of safety, Lord Taylor's most significant proposal is for the provision of all-seater grounds by the year 2,000 along the lines of many stadiums in continental Europe. He says that "there is no panacea which will achieve total safety and cure all problems of behaviour and crowd control. But I am satisfied that seating does more to achieve those objectives than any other single measure."

The judge says that seating means that spectators are not subject to buffeting or swaying, that crowds can be easily monitored by closed circuit TV and that ticket forgeries can be made more difficult. He dismisses the fondness of traditionalists for terraces arguing that all-seater grounds can also enjoy "concerted singing, chanting, clapping or gesticulating in unison".

Accordingly, Lord Taylor says that stadiums in the First and Second Divisions should be all-seater by the start of the 1994-5 season and other divisions should be all-seater by 1999. This would be achieved by a phased annual reduction of standing places of 20 per cent in the higher tiers and 10 per cent in the lower. This section of the report applies to all designated grounds, that is, those accommodating more than 10,000, so the Twickenham's famous international rugby stadium, for example, will also be affected.

The report does not call for the elimination of perimeter fences, since as Lord Taylor points out, a number of pitch invasions have followed the Hillsborough disaster. However the judge does say that "high, prison-type fences with spikes and overhanging sections should go" and where possible gates in the fence should be left open during the game.

One section of the report which most football supporters will welcome unreservedly is that ticket touts should be outlawed, since they put both safety and the prevention of disorder at risk. Lord Taylor suggests it could be made an offence to sell tickets for a football match without authority from the home club. "The fast back should stop here" he concludes.

## Ford faces disruption as strike vote passed

By Michael Smith, Labour Correspondent

FORD UK, the subsidiary of the US motor manufacturer, was faced with increased disruption to production last night after electricians voted to back a strike over pay and shop stewards representing other skilled workers moved to increased support for an unofficial stoppage.

The developments raise the prospect that a growing number of Ford's 21 UK plants could be closed by industrial action even though 58 per cent of the 31,300 manual workforce last week voted to accept the company's pay offer.

Although the electricians and other skilled workers represent less than a sixth of Ford UK's manual workers, their presence is essential for the maintenance and continued operation of plants.

A two-week strike by more than 550 skilled employees at

Halewood has led to the closure of both the company's vehicles plant there and a Transit factory in Southampton. About 10,000 employees have been laid off as a result.

If the strike spreads, there could also be effects on some of Ford's continental factories which rely on UK factories for supplies, including engines.

The vote among 1,600 electricians was taken at the same time as other unions voted last week but, because it was a postal ballot, the count was delayed. The EETPU electricians' union said yesterday that in a 58 per cent turnout, 62 per cent rejected the pay offer and gave leaders the power to call strikes.

Mr Eric Hammond, general secretary, said EETPU shop stewards at Ford would meet on Friday to discuss their next move.

## Mixed fortunes predicted for motor industry

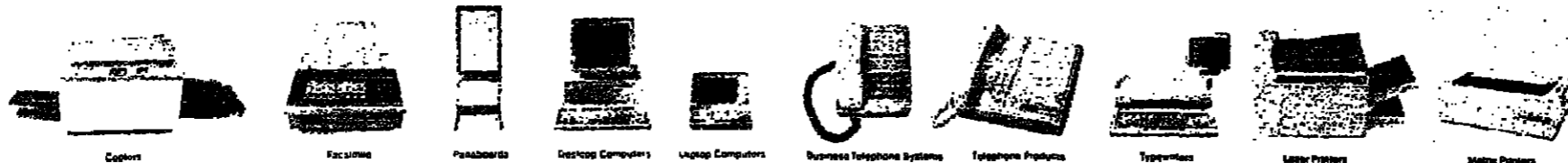
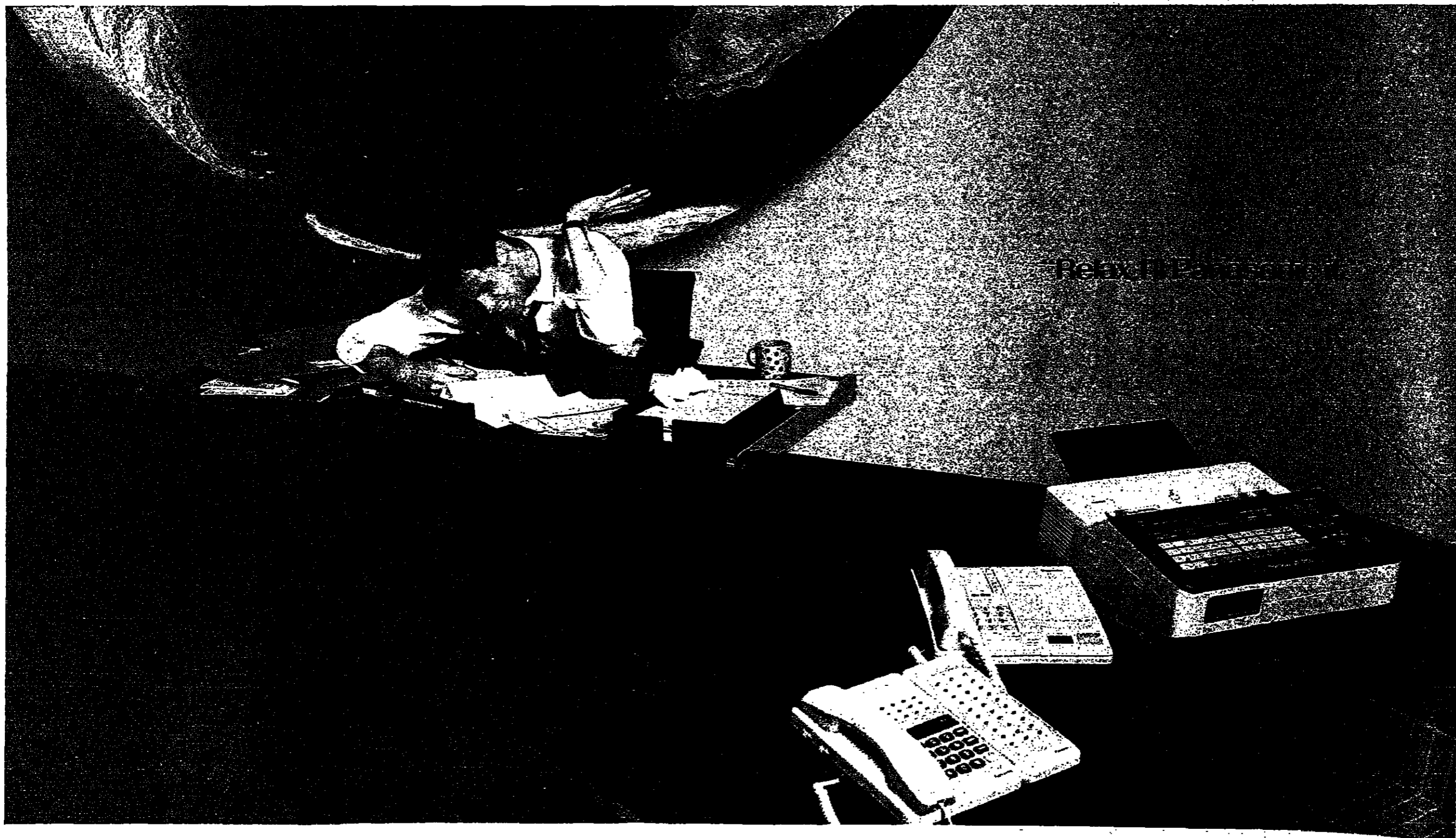
By Richard Tomkins, Midlands Correspondent

OVERCAPACITY in Europe's motor industry holds out the prospect of mixed fortunes for car manufacturers in the 1990s, according to the West Midlands Enterprise Board in Birmingham.

With the European market stagnating, they warn, the entry of Japanese manufacturers coupled with recent heavy investments by Europe's indigenous car makers will produce a notional overcapacity of 1m vehicles a year by 1995.

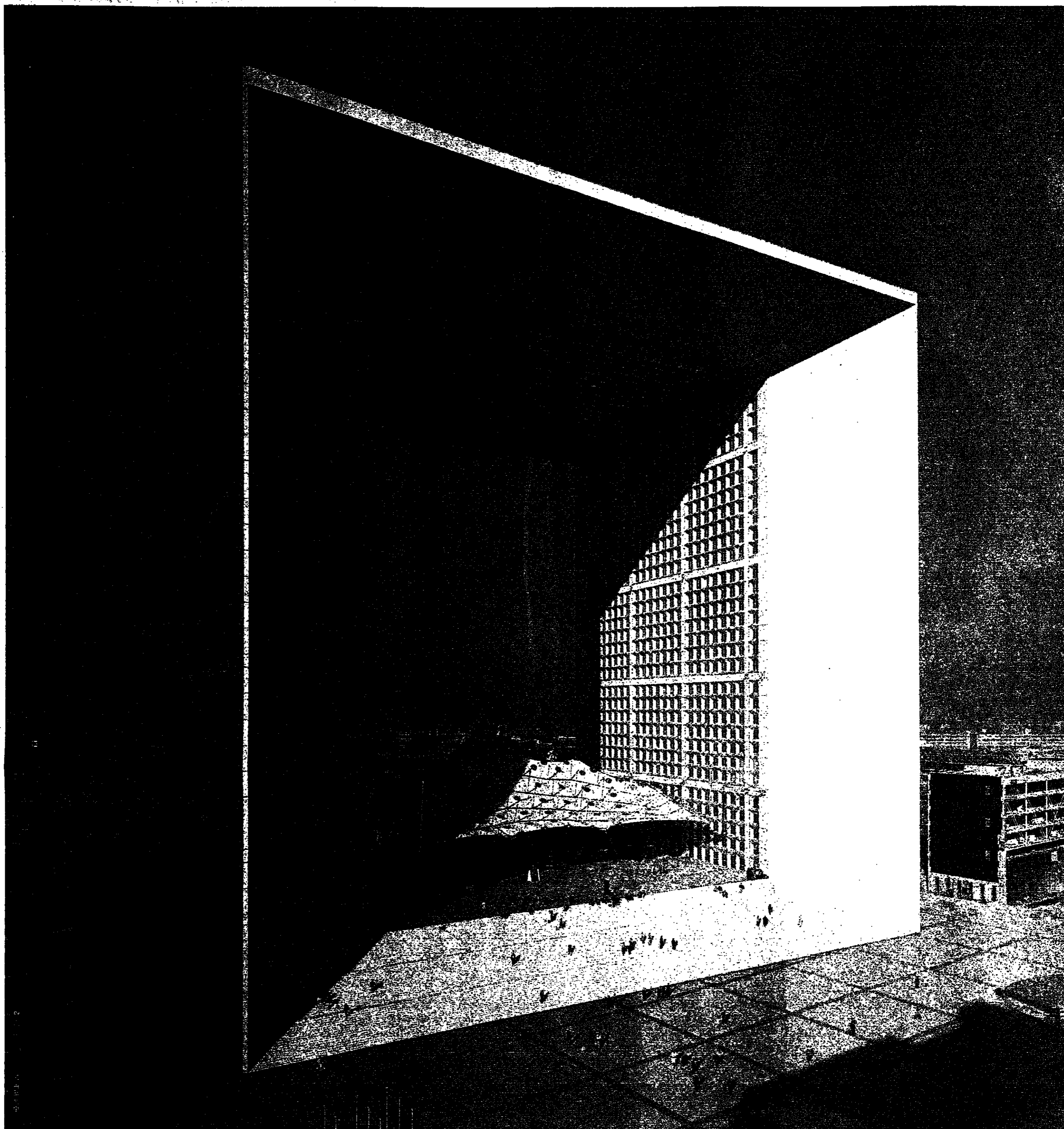
Britain can expect to gain in employment because it will benefit from the plants being set up by Nissan, Toyota and Honda, the economists say.

At Ford UK, subsidiary of the US manufacturer, the Halewood and Dagenham plants are said to be behind Continental counterparts in investment and automation.



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## UK NEWS

## Bank increases cushion against Third World debt

By Stephen Fidler, Euromarkets Correspondent

NEW Bank of England guidelines on UK bank provisions for third world debt were published yesterday increasing, as expected, the cushion banks are required to hold against third world debt.

The new framework, or matrix, is likely to bring some new countries into the group for which provisions are required.

Bankers said Hungary and Colombia may both be countries for which provisions are required when they were not before. This may make banks less willing to make new loans to these countries, which have not rescheduled their bank debts.

As expected, the average level of provisions will rise to roughly 50 per cent on third world exposure for UK banks.

In its letter to banks, the Bank said it had reviewed the matrix "bearing in mind the widespread market perception that the situation among debtor countries has on balance deteriorated."

The matrix uses 16 factors — one more than in the first matrix published in 1987 — to determine roughly the adequate provisions against loans

for each lending bank.

The factors are meant first to identify countries which are unwilling or unable to meet their obligations, second to show a borrower's current difficulties in meeting its debts, and third to identify economic and other factors which may provide evidence of likely repayment difficulties in the future.

Previously, the third category of economic factors would not be enough by themselves to trigger provisions. Now, however, provisions can be triggered by such factors — the reason why countries such as Hungary will be drawn into the net.

The new matrix intends to iron out fluctuations in the level of provisions by introducing a 15-month moving average to calculate proper provisions.

The Bank had been forced into an embarrassing delay in the publication of the matrix — promised some months ago — because it was under examination by the Treasury.

If the higher provisions are allowed against tax, the lost revenues are estimated to cost the Exchequer £900m-£1bn over some years.

## Hitting the headlines for all the wrong reasons

Andrew Taylor, looks at the persistent rows which could engulf the Channel tunnel project

THE Channel tunnel project seems hardly to have paused to draw breath before lurching from one crisis to the next ever since the British and French governments gave Eurotunnel the go-ahead in 1986.

This week, one of the world's greatest construction projects is again hitting the headlines for the wrong reasons.

The slow progress of engineers tunnelling beneath Europe's busiest seaports has made dull reading by comparison with stories about boardroom rows, a leaked private letter, angry personality clashes and speculation about the Bank of England involvement over the appointment of senior executives.

One London manager of a foreign bank providing some of the finance to build the 50km-long tunnel said: "If the tunnel leaks as much as the boardroom of Eurotunnel and some of its contractors then we are all in deep trouble."

The aside obscures a deep concern that persistent rows between Eurotunnel and its contractors over who is responsible for the mounting cost of construction could engulf plans to refinance a project which, in just over two years, has risen in cost from £4.8bn to more than £7bn.

Temporary refinancing arrangements, which will

allow Eurotunnel to continue to build while permanent funds are put in place, have still to be approved by more than 200 international banks. These, however, may not be prepared to give their support while a deep rift exists between the contractors and a large faction of Eurotunnel's management, led by Mr Alastair Morton, its combative joint chairman.

Mr Morton has made no secret of his views that British construction companies, in the main, have been guilty of mediocre management and poor productivity which has pushed up the cost of the project. The repeated public statements of these sentiments, while reflecting the opinions of many of the banks themselves, has widened the gulf between Mr Morton and the contractors to the point at which even the Bank of England privately has expressed its concern.

It is worried that the public wrangling between Eurotunnel and the contractors could undo some of the good relations forged by Mr Morton with the international financial community.

The Bank, three years ago, sponsored Mr Morton's appointment as British joint chairman to Eurotunnel after the Channel tunnel group almost failed to raise just under £200m in an international equity issue.



Facing the future: Eurotunnel's joint chairmen

Mr Morton subsequently was instrumental in negotiating a £6bn package of loans, standby credits and equity.

The Bank regards Mr Morton's role as crucial if a tight grip is to be maintained over costs. It would, however, like to see a buffer established between Mr Morton and the contractors, provided this did not weaken Mr Morton's overall authority in negotiations with the construction companies.

Eurotunnel, as part of the refinancing arrangements, has agreed to make changes to

good rapport with the contractors during the 12 months he has been at Eurotunnel. The construction companies would be unhappy if this relationship were to be weakened but regard the appointment of a new executive as essential if Mr Morton is to be distanced from day-to-day construction decisions.

The depth of the antagonism felt towards Mr Morton by the British contractors, in particular, can be gauged by a private letter from Mr Peter Costain, chief executive of Costain Group, to Mr Morton. The letter, copies of which were sent to Eurotunnel's bankers, accused the British chairman of Eurotunnel of making statements after the refinancing agreement which were "inaccurate, incomplete and calculated to mislead."

It continued: "Your reference to 'trimming the project supervision overhead' was quite disingenuous. You are quite well aware that we would not have signed the agreement were it not clear that far-reaching senior management changes in Eurotunnel were irrevocably committed."

The gulf between Mr Morton and the construction companies appears to run far deeper than the normal suspicions of a client towards his contractors. It is often forgotten that the relationship between the

Channel tunnel contractors and Mr Andre Benard, Eurotunnel's French joint chairman, has also been difficult but has failed to produce the acrimony that Mr Morton seems to have generated.

This may have its origins in Mr Morton's belief that it might have been better if the Channel Tunnel Group (CTG), which eventually became Eurotunnel, had been sponsored by other than banks and contractors who saw the project primarily as an opportunity to make a big profit.

Mr Morton, within days of his appointment at Eurotunnel early in 1987, was saying he would have attempted to renegotiate the construction contract if a deal had not already been signed.

Mr Morton, himself, has admitted that one of the problems inherent in the project is that it is a "fast-track design". "That means that construction gets under way before all the final designs are completed," Mr Morton told Eurotunnel shareholders last autumn.

At least £400m of claims by the contractors against Eurotunnel have been identified and are expected to go to arbitration when the work is completed. First, however, Eurotunnel and the construction companies must devise some way of getting their relationship back on to an even keel.

## Westland plans bid for Merlin project

By David White, Defence Correspondent

WESTLAND plans to bid for overall responsibility for the Royal Navy's EH101 Merlin helicopter if the Ministry of Defence opens the job to competition.

Mr Alan Jones, chief executive of the helicopter group, based in the West Country at Yeovil, said that this would avoid increasing the delays in bringing the EH101 into production. Westland is developing the helicopter with Agusta of Italy.

Sir Peter Levene, chief of defence procurement at the MoD, is known to favour inviting tenders for the task of integrating the helicopter itself with the radar and sonar equipment required for its anti-submarine role. This task could be taken over by an electronics company or a major defence contractor such as British Aerospace.

During development of the Anglo-Italian helicopter, the Ministry of Defence has until now worked on the basis of buying the aircraft itself from EH Industries, a joint venture of Westland and Agusta, and the electronic equipment directly from contractors.

However, Westland argues that it has already accumulated experience in integrating the electronic systems by flying them in a Sea King helicopter.

Mr Jones said development was "going well," with seven pre-production models already flying. The helicopter should be ready for delivery from late 1994 or early 1995, he added.

Original plans were for delivery in 1991. But the principal delay was in launching the



Alan Jones: seeking control

project, and the actual slippage in development was between six and nine months, Mr Jones said.

He rejected reports that the first 50 helicopters for the Royal Navy might cost £40m a piece, arguing that the costs would be spread by other orders, even if the Royal Air Force opted against the EH101 as a troop-carrier. Italy was due to take 38, and Canada was expected to buy about 40, possibly with 25 more for search and rescue operations.

Plans also involve a civilian version baptised Hehliner. Mr Jones estimated that the most basic version of the EH101 would cost upwards from £12m.

Westland is anxiously awaiting the next stage in the Anglo-Italian agreement, a go-ahead for fitting-up in readiness for production. It is hoping this will be followed by a first production order late this year or early in 1991.

## US venture to invest in European media

By Raymond Snoddy

ML MEDIA Opportunity Partners, a US media venture capital fund established by Merrill Lynch, has set up a European joint venture to look for media investments in the UK and the rest of Europe.

The new joint venture company, Media Ventures International based in London, could have up to \$100m available to invest in suitable opportunities ranging from independent television production and cable television companies to newspapers.

Mr Peter Clark managing director of MVI, and until recently joint managing director of Telco Communications, the TVS Entertainment subsidiary said yesterday bidding for an ITV franchise was also a possibility.

Mr Christopher Turner, a former group chief accountant at London Weekend Television will be a director of the new company.

The main thrust of MVI investment is likely to be in the UK to begin with but the new company is also interested in media ventures in both France and Germany.

The US directors of MVI are Mr Elton Rule, a former president of American Broadcasting Companies, the holding company for the US television network, and Mr Marty Pompadour, also a former director of ABC.

Both are involved in ownership of media properties through investment funds valued at \$1bn including a newspaper in Puerto Rico and cable television companies in the US.

US media funds and media companies themselves are increasingly looking at the European market where new television channels have been coming on air and there has been a measure of deregulation.

Last year, for example, Paramount, the US film studio bought a 49 per cent stake in Zenith, Carlton Communications's independent television production arm.

Mr Pompadour said yesterday that MVI experience of how the media market had evolved in the US combined with venture capital experience would be an effective formulae for success.

● Sky Movies, Mr Rupert Murdoch's satellite film channel which can now be seen by anyone with a satellite television receiver, will turn into a pay television channel over the next six weeks.

Between February 5, the first anniversary of the launch of Sky Television, and March 19 an increasing number of films will be electronically scrambled so that they are unwatchable to those who have not paid a subscription of just under £10 a month. Sky successfully demonstrated yesterday its VideoCrypt system developed by Thomson Consumer Electronics, News Group affiliate News Datacom and Sky Television.

Mr Peter Smith, Sky's director of operations yesterday described the system based on microprocessor as "the most advanced state of the art pay television system available."

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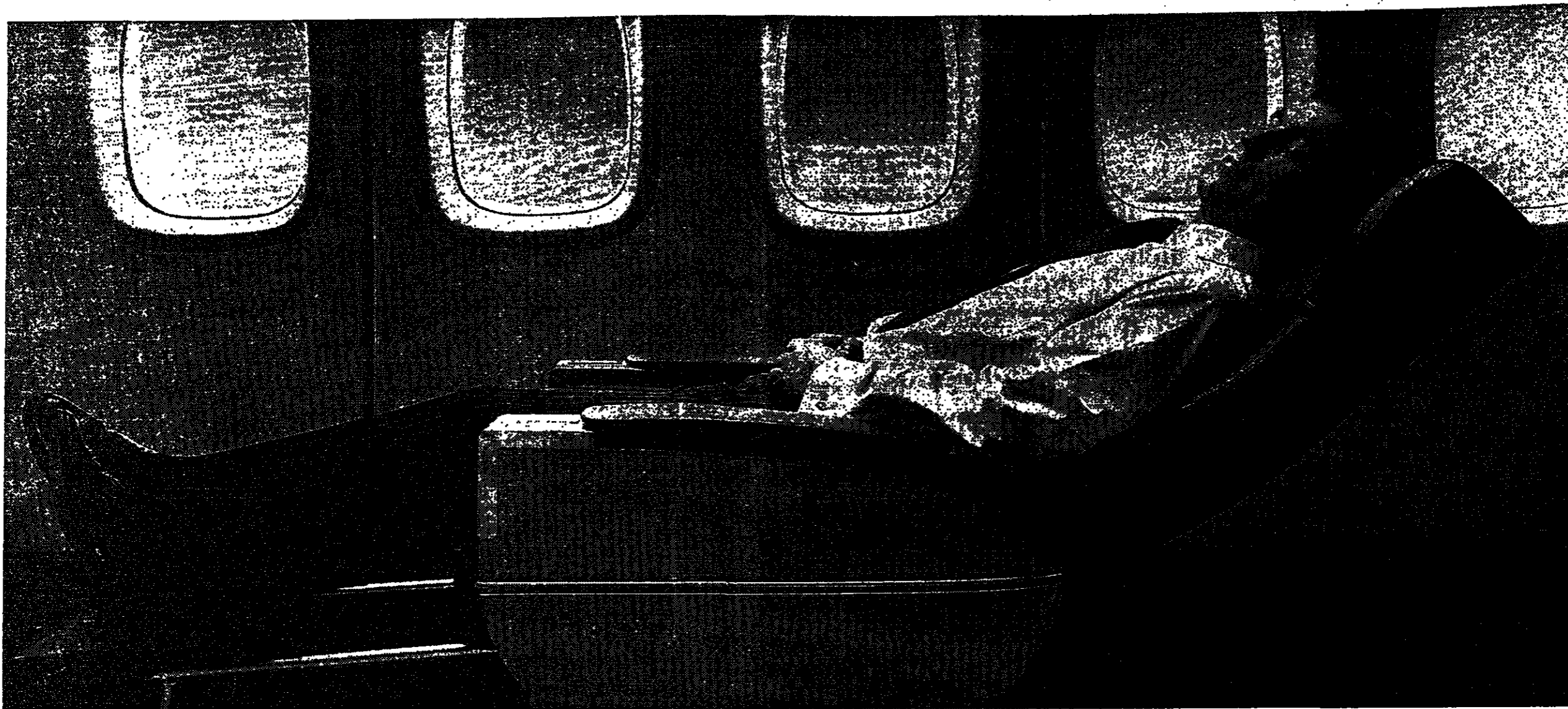
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## ARTS

# Brave new look for the Tate

William Packer applauds the Director's radical rehang

In recent weeks the papers have been full of what was about to be discovered at the Tate, and I too, with my fellow critics, had only to wait to be allowed a preview. That early look was certainly useful, but only in the most general way. Some galleries were still closed off, much work unhung, significant rooms unfinished. It seemed to me much better to wait even beyond the preview, with their gossip and special interests, to an ordinary public day with the Tate at its proper work again. I am very glad I did.

Last Friday the Tate seemed no less busy than usual, but possessed of quite different general mood. It must be understood that the old arrangement of the place, historic British to the left, modern international to the right, modern British somewhere at the back, has been utterly changed, and yet there was no sense of more than momentary confusion. And it seemed so much quieter than before, with everyone so intent and purposeful, moving not across and in spite of each other, but at whatever speed to the same end.

Nicholas Serota, a mere 18 months into his term of office, has achieved that rarest of feats for any Director of the Tate Gallery, which is to win near universal praise. That he should do so by forcing through a policy that is, to say the least, controversial, is only to make his success the more remarkable. First, he has cleared away every architectural intrusion, every false ceiling, screen and wall by which the Tate has been cluttered these past 30 years, and then set about its comprehensive rehanging in an entirely new critical sequence. Serota has made no secret of

this, speaking of his hopes for reorganisation and reintegration even before he took up his appointment, itching to get his hands on the collections. In the light of his being the first director confirmed in the job for a mere five years, with no certainty of renewal, the speed with which he has acted to make his mark is hardly surprising. His great daring has been to establish a single circuit of the Tate that leads the visitor inexorably, without the least logical hiatus, from the painting in Britain of the 18th century to the latest of international modernism. The visitor may break in at any point, but with significantly fewer works now hung throughout the whole is assimilable without rush in reasonable time.

The principle followed is that the hang should be permanent rather than the skeleton than in the flesh, with certain key works holding their place, around which relevant works will come and go. The sense, it is hoped, will be one of such constant renewal, refreshment and redefinition of the collections that professional and amateur alike, we shall hardly be able to keep away.

The first great pleasure is to pass into the high and handsome Duveen Galleries, opened out and committed once more to their original purpose as sculpture halls. And it is down this long central avenue that we must go, past Rodin and Maillol, Long and Matisse, Meier, Deacon and Picasso to where, at the far end, we turn left into the old back gallery where once hung Sargent, Burne-Jones and other late Victorian. Here, with the Elizabethans and the Carolines, with Hilliard and Gheeraerts, Peake, Dobson and Lely, in a room once dark but now cool and light, the sequence proper begins.



Nicholas Serota, Director of the Tate Gallery, standing in front of Duncan Grant's 'Bathers'

If I seem to emphasise the apparent physical changes, it is simply because, to the regular visitor, they are inescapable. To turn the far corner from that first room, to confront the long vista down the Tate's entire south-western flank, with Hogarth behind and Mondrian in the distance, is to enjoy one of the more remarkable architectural fissions that London has to offer. It is suddenly borne in on us with immediate force that beneath the pictures, the Tate itself, save for the 1970s extension, was always really very good.

But the exercise is by no means merely cosmetic. What we now have is the most ambitiously didactic hang ever seen

at the Tate, perhaps at any major museum. It seeks to demonstrate the truth of two related propositions: that the art of the western European tradition is a continuum which connects the work of the past to that of the very latest moment; and that British art, far from being incidental, is integral to it and of real significance.

Thus we are shown the British School from the 16th to the late 20th century in its natural, discursive sequence and, when the moment comes, related unapologetically to current international developments. Thus the pre-Raphaelites are given their central place at last, and all the rest who make up the story of the 19th cen-

tury. And thus too a place is found at last for Stanley Spencer at the very heart of the display.

With Impressionism the display becomes international and the broader context easily established, though we must wait for that crucial room, with Monet and Sargent, William Nicholson and Gwen John, Whistler, Sickert and Degas to be completed. Yet how good it is to see Paul Nash with a room to himself, next door to European surrealism, and Matisse, Picasso and Derain. So on through the 1920s and 30s, and into the extension and the post-war period, with the rooms hung with an ever braver, even prodigal simplicity.

These last rooms on the circuit, before we debouch again onto the central axis, are no doubt where we shall see most regular and radical changes made. It will be by the quality and critical energy of such permanent renewal and reappraisal of the collections, sustained year after year, that we will come to judge Nicholas Serota's brave initiative, for good or ill. In this he asks a very great deal in terms of commitment and support from his staff, but pays them, too, the great compliment of expecting it. So far their mutual support has paid off splendidly, with real hope that no one in the longer term will be disappointed. National support is never so certain.

## Mikhail Rudy

QUEEN ELIZABETH HALL

The pianist Rudy was, I think, giving his first London recital on Sunday afternoon, and very impressive it was. Not least for his choice of encores after a demanding programme: Chopin's sublime D-flat nocturne, played faultlessly and with crystalline feeling, and then - as an encore! - the whole finale of Stravinsky's *Petrushka* transcription, in towering high spirits and magnificent colours. This man is a pianist-musician of the first order.

The glory of the first half of the recital was his *mesozoic* range of early under-cultivated by most modern virtuosi, in which he explored Scriabin and Ravel with devoted subtlety. Wherever his superlative technique surfaced, he took care not to let it make any obtrusive splash: the most hazardous figurations in Scriabin's *études* and in Ravel's "Ondine" and "Scarbo" were turned with deceptive ease, giving full priority to the expressive burden. (It must be said that while Rudy's rapid-fire octaves are up to the best Russian standards, his fleet major ninths - a hand-stretching octave-plus - in no. 1 of Scriabin's op. 65 took one's breath away.) "Ondine" was prominently sang, as it should but rarely does, and there was poetic *chiaroscuro* in even the most cleverly fingered of Scriabin's studies.

It wouldn't quite be captions to observe that Rudy assigned less weight to rhythmic grip than he might ("Scarbo" was

phosphorescent but flitful, *Petrushka* occasionally reckless); that his penchant for languishing *rubato* would have earned a rebuke from Ravel about "Le Gibet" - which was otherwise sculpted in full depth; that his bass-line (in this hall, at least, on an indifferent Steinway) was sometimes too understated to make the most of harmonic cruces, especially in Scriabin, and that to conclude so rich a Scriabin survey with the Russian D-sharp minor study is just Soviet-naïf. Not quite capacious reservations, but marginal you listen to an artist like Rudy for penetrating individual insights rather than Conservatoire rectitude.

He played Liszt's transcription of Isidore's "Liebestod" like a limpid, introspective piano-dream, not a mock-orchestral orgasm. Liszt's first two "Valses oubliés" were at once brilliant and elusive, and the feathery gleam of his "Gnomes" never insisted upon being the digital feat that it actually was. Rudy was much more than equal to the manifold challenges of Schubert's "Wanderer" Fantasy, both musical (tricky gear-changes and abrupt switches of tone) and executive (relentless wood-chopping in the finale); this was a passionately rewarding performance, of sovereign breadth and sweep. You should miss no chance of hearing this pianist.

David Murray

## SALEROOM

### Big money for US furniture

At the moment the Americans are going through a patriotic phase in their acquisition of antiques. An object has to be made in the US to command the really big money. This was well illustrated at the week-end when a glided copper and zinc weathervane in the shape of a horse and rider sold at Sotheby's to the dealer Score for \$770,000 (\$465,000), comfortably above a \$600,000 top estimate. It was made around 1890 by J. Howard & Co of West Bridgewater, Massachusetts, and romantically evoked the American rural past. It was part of the folk art collection of the late Bernard M. Baranholts.

Earlier at Christie's, desirable tables carved in Philadelphia in the late 18th century had sold for over a million dollars. Furniture made in the UK in the same period, recognised at the time, and later, as being of finer quality, cannot approach such prices.

Still, Christie's held a successful auction of English furniture over the weekend with a total of \$3.8m (£2.3m) and only 9 per cent unsold. There was one exceptional piece, the \$996,000 (£240,000) paid by a London dealer for a pair of George II walnut and beechwood library chairs. They had a top estimate of \$80,000, but their excellent provenance - they were part of a set that

belonged to the Dukes of Devonshire at Chatsworth from the mid-18th century until sold to Lord Duveen in the 1920s - and the link that Christie's made to chairs designed by Chippendale, obviously caught the competitive imagination of prospective buyers.

A record price for a Carlton House desk of \$231,000 (£140,000) was paid by another London dealer, Partridge Fine Art. The story is that the Prince Regent, occupier of Carlton House, gave this example to his court tailor soon after 1800. In 1975 Sotheby's sold it in New York to Jack Dick for \$36,000. Another Dick purchase, a Queen Anne burr walnut bureau cabinet, sold for \$154,000 (£92,771), at the low end of its estimate. He paid \$28,000 for it in 1975.

A pair of George II grey painted and parcel gilt mirrors, which had hung in Ditchley Park in Oxfordshire, sold to an American dealer for \$330,000 (just under £200,000) as against a top estimate of \$70,000, while another lot to far exceed its forecast was a pair of George II console tables with eagle bases which have an Italian baroque grandeur introduced into England by William Kent. They sold for \$308,000 (£185,000) as against a high estimate of \$70,000.

Antony Thorncroft

## Mahler & Benjamin

FESTIVAL HALL

The core of the Mahler First Symphony performance given on Sunday by Klaus Tennstedt and the London Philharmonic was its slow movement. "Mit Parodie" is one of Mahler's most important markings; and the kind and degree of "vocal" nuance which the strings and woodwinds applied to their brass-band and off-musical intonations revealed anew the extraordinary depth of this conductor's Mahlerian understanding, his almost unequalled capacity (among today's conductors, at least) for penetrating under the skin of Mahlerian dramatic irony.

The bitterness was not poured on with a straight-ladle; the compass and swirling outdoor refrain were not banged out with crude appetite. There was razor wit in the tracing of every detail, every note and rest-marking; the dynamic range was wide, the touch of accent and phrase-shape fleet and feathery. Because the music parodied was handled with such subtlety and delicacy, the multifaceted nature of the movement could be unfolded with uncommon suggestiveness.

It is, indeed, a rare performance of this much-played work that can make the listener appreciate with new understanding the many levels, psychological as well as

structural, on which Mahler's symphonic argument unfolds. Sunday's performance was rare, and uniquely rewarding. It was less securely delivered than past LPO Mahler readings under the same conductor had led one to expect - there was shaky intonation in the opening not helped by the hall's dry acoustics and loose ensemble at the start and close of the scherzo. It would be wrong to insist that these flaws were of no matter; but the honesty, candour, and fierce intelligence of the whole put them in the proper perspective.

In the first half, the orchestra had offered George Benjamin the opportunity to conduct Debussy's *Gigues* (not slickly tooled but full of fascinating colour shades) and his own Turner-inspired 1982 chamber work *As First Light* (its combination of pulsating orchestral momentum glittering sustained across a wide instrumental canvas). The appetite for the completed work of which this is only the opening movement.

Max Loppert

## Music Projects

ALMEIDA THEATRE

The two programmes in the latest tranche of Music Projects' "New Images of Sound" series at the Almeida combine British and German composers; Wolfgang Rihm is represented in both, and on Sunday Richard Binas conducted the UK premiere of his *Chiffre V*, alongside a piece by Hans-Joachim Hespos and two by James Dillon. Rihm is one figure for whom British audiences can be excused only partial knowledge; his output is huge, and only a small fraction has yet reached performances here. Two more of the *Chiffre* series (I and VI) are to be introduced in the second concert; this one offered an uneasy mix of brassy rhetoric, some positively Wagnerian gestures along the way - and more textured ideas, interrupted at one point by a repeated-chord fixation in the piano, as if the spirit of early experimentalism had suddenly taken over the proceedings.

Hespos is a less familiar name. On the evidence of this score, *Esquisses timbrées*, he seems to have affinities both with Helmut Lachenmann and with Kagel's explorations of the politics of performance. The music seemed as concerned with commenting upon the rituals of concert-giving and concert-going as it was with the construction of an

aural image. In a larger, more formal space than the Almeida the piece might make more of its visual subtext, and give its sounds more space and perspective.

Certainly the acoustical confines of the theatre placed some constraints upon both the Dillon pieces. Neither is new, though *Windows & Canopies* from 1985 was receiving its first performance in London. *La Femme invisible* is part of a larger sequence of pieces; heard here out of context it seemed a little short-winded (though not particularly short, at 15 minutes), but as usual with Dillon well filled with craftily imagined complexes and enough structural benchmarks to keep the listener oriented. Though only slightly longer *Windows* gave the impression of a much more substantial work altogether, weaving skeins of intricate string lines which are marked off by the percussion and increasingly punctuated by wind. It is shapely and fascinating, though whether the title carries more than descriptive significance is hard to say - Music Projects loses marks for providing no programme notes, and only the briefest of spoken introductions from the platform.

Andrew Clements

## Paula Robison

WIGMORE HALL

On this side of the Atlantic Paula Robison's reputation may not match that of some of her glitzy fluting peers, but as her recital on Friday with the pianist Timothy Hester underlined, she belongs unambiguously in the highest echelon.

In a programme that nicely contrasted recent American flute music with some of the instrument's French staples - Debussy's *Syrinx*, Chaminade's *Concertino* and four of Ms Robison's own arrangements of *Fauré mélodies* - she demonstrated superlative technique, a wonderfully supple, fine-grained tone, and discreet, civilised musicianship.

In the American selection, those attributes were by no means thoroughly exploited - Lowell Liebermann's *Sonata* seemed so concerned to avoid all the contemporary clichés of flute writing that it settled upon an unsatisfying approximation to the sonorities and figuration of Prokofiev's *Flute Sonata*, which only made one long to hear Robison in the real thing.

Samuel Barber's *Canzone* arranges the slow movement of his *Piano Concerto* with poignant flute melodies, and rich piano arabesques, while Roy Harris's strange little

*Lyric Study* was evidently part of a projected series composed around 1950, but only unearthed posthumously among his manuscripts.

The Variations by Robert Beaser (born 1954) were by a long way the most ambitious work of the evening, hard to grasp at first hearing and saddled with an impenetrable programme note, but undoubtedly representing a real attempt to find something new in the medium and to find the structural rigour that flute music conventionally lacks. It is fiendishly difficult for the flautist, though hardly a display piece, the inclusion of a big cadenza towards the close seemed to me a miscalculation in this highly wrought context - and has a serious undertow that sometimes wells up powerfully. The style is heterogeneous, sometimes neoclassical, sometimes more aggressively modernist, but in the end coherent. Beaser's music is entirely new to me, but there was more than enough substance in this piece to encourage further investigation, and enough superb playing to hope for Ms Robison's return before too long.

Andrew Clements

## ARTS GUIDE

OPERA AND BALLET

**London**  
Royal Opera, Covent Garden. The long-awaited new production of Borodin's *Prince Igor* by Alexander Serota is a collaboration of the Royal Opera and Ballet, conducted by Bernard Haitink. At Covent Garden, the Royal Ballet plays *La Fille mal gardée* in tandem with the fireworks of the *Laurance* grand pas every evening until Jan 30. English National Opera, Coliseum. The company undertakes a Berlioz rarity - *Beatrice and Benedict*, his late, ravishingly beautiful version of *Much Ado about Nothing*. *Faust*, in Ian Judge's deft, fast-moving production (using the original spoken dialogue), continues in repertoire.

**Paris**  
Théâtre des Champs Elysées. The Russian season by Leningrad's Pristin. National Opera Theatre. Many includes, in alternation, *Khorovodchik*, *Eugène Onegin*, *Boris Godunov* and *The Queen of Spades* (47203637). Paris Opéra. The Paul Taylor Dance Company arrives with two alternate programmes. Ends Sun. Palais Garnier (4017840).

**Amsterdam**  
The Netherlands Opera with a new production Gluck's *Orpheus at Elysium*. Nederlandse Dans Theater in Jiri Kylian's *Tanz-Schul* to music by Maurice Kagel. Muziektheater (258 455).

**Madrid**  
Teatro Lírico Nacional de la Zarzuela. A new production of Rossini's *Il barbiere di Siviglia* opens the

Madrid opera season. (429 82 25). Palacio de Exposiciones y Congresos. *Boris Godunov* performed by Aterciopelito, is part of the Italian-Spanish festival. It is a one-act ballet based on Shakespeare's play. Music by Berlioz (Tues-Thurs).

**Barcelona**  
Gran Teatre del Liceu. This week's programme includes *Elektra* by Strauss. Produced by the Royal Theatre de la Monnaie and Opera National Bruzelles with Eva Marton in the title role and conducted by Uwe Mund (315 92 77).

**Brussels**  
Théâtre Royal de la Monnaie. The Monnaie Opera in Mozart's  *Così fan tutte* conducted by Sylvain Cambreling, staged by Luc Bondy, designed by Karl-Ernst Herrmann. Palais des Beaux-Arts. The London Contemporary Dance Theatre in *To Chantrelle* choreographed by Dan Wagoner. Forest-National. The Bolshoi Ballet and Orchestra conducted by Alexander Kopylov in *Giselle* with Natalia Bessmertnova and Irak Mukhammedov.

**Antwerp**  
Koninklijke Vlaamse Opera. The Royal Flanders Opera in Haydn's *L'infant prodige* staged by Philippe Lemaire. La Petite Bande Orchestra conducted by Sigiswald Kuijken. De Singel. *Compagnie Prelioca* in *Les Noces* (La Chambre chorography by Angelin Preljocaj).

**Liège**

Théâtre Royal. The Royal Walloon Opera in Massenet's *Don Quichotte* conducted by Paul Shubin.

**Vienna**

Staatsoper. *Carmen* conducted by Claudio Abbado; Ballet: *Dornröschen*, choreographed by Rudolf Nureyev and conducted by Peter Kuschling; *Lohengrin* conducted by Claudio Abbado. Volksoper. *Das Land des Lächelns*, *Die Fledermaus*, *Tiefen* and *Ein Nacht in Venedig*.

**Milan**

Teatro Alla Scala. Excellent production of *Giselle* danced by Isabel Seabra and Robert Hill, and Giorgio Strehler's production of Beethoven's *Fidelio* conducted by Lorin Maazel. (80.91.26).

**Rome**

Teatro dell'Opera. Puccini's *Madama Butterfly* conducted by Pier Giorgio Morandi (Mon) and Daniel Oren (Wed). (44.17.53).

**Florence**

Teatro Comunale. The Balletto Antonio Gades in *Fuogo* from Manuel de Falla's *El Amor Brujo*, in Carlos Saura's production (778236).

**Turin**

Teatro Regio. Puccini's *Turandot* conducted by Yuri Abravotzky, with Elena Maiti Nuzdatsa, Sophia Larson, Nicola Martinucci and Mario Bolognese (8815241).

**Venice**

Teatro la Fenice. Claude d'Annunzio's revival of Leoncavallo's *La Bohème* opens the autumn season (521.01.1).

**Berlin**

Opera. *Die Zauberflöte* conducted by Heinrich Hollreiser. *Die Hochzeit des Figaro* stars Julia Varady, Catherine Mahfiano, Ruthild Eugert, Patricia Johnson, Andreas Schmidt and Manfred Hemm. *Elektra* is led by Gwyneth Jones in the title role. *Der fliegende Holländer* convinces thanks to Robert Hale, outstanding in the title role. *Die lustigen Weiber von Windsor* rounds off the week.

**Hamburg**

Opera. *Don Quixote* under the superb musical direction of Gerd Albrecht. *Orfeo* features Linda Flech, Olive Fredricks, Vladimir Atlantov and Franz Grundheber. The ballet *Peer Gynt*, specially composed for Hamburg by Alfred Schnittke has wonderful John Neumeier choreography.

**Cologne**

Opera. Jochen Ulrich's ballet *Leila*, danced to music by Nino Rota will have its world premiere this week. *Die Fledermaus* is a repertoire performance.

**Frankfurt**

Opera. *Paradise* is jointly choreographed by William Forsythe, Susan Marshall and Amanda Miller, danced to music by Bill Frisell, Beethoven and Gavin Bryars. Also William Forsythe's

musical *Isabelle's Dance*. *Inferno* on *Turkula* by Gluck will have its premiere this week. *Der Zigeunerbaron* also features.

**Bonn**

Opera. Last performance of Jorge Lavelli's wonderful *Andrea Chenier* production. Further performances of Youri Varnos' ballet *Spartacus*.

**New York**

Metropolitan Opera. Harold Prince directs a new production of *Faust*, conducted by Charles Dutoit. Nello Santucci conducts *La Gioconda*. In Bruce Poonen's production of *Coppelia*, *La Source* and *Square Dance*. New York City Ballet. The mixed repertoire continues with performances of *Coppelia*, *La Source* and *Square Dance*. Lincoln Center (870 5870).

**Washington**

Washington Opera. The East Coast premiere of Dominic Argento's *Aspen Pipers* reproduces the original Dallas Opera production. *The Merry Wives of Windsor* continues with Kenneth Cox as Falstaff and Sheryl Woods as Mistress Ford. Eisenhower (487 4600).

**Chicago**

Lyric Opera. Julius Rudel conducts the final performances of Ambroise Thomas's *Hamlet*.

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## The fudge ceremony

THE US BUDGET has become an annual rite in honour of wishful thinking, and it seems clear that this sad waste of time is to continue indefinitely. In theory, both the Administration and the Congress are devoted to an austere process of deficit reduction which will restore balance in three years. In practice, the Administration proposes a set of measures which it knows will be drastically altered in Congress, resulting in a projected deficit which nobody believes. Much of the legislative year will then be wasted in bickering.

At the end of the bargaining and the vetoes, a new set of measures will be signed, which the Administration will certify will produce the deficit laid down in the Gramm-Rudman-Hollings act. A few weeks later, the Administration will admit that this result is quite unattainable. Thus the President's budget proposals published yesterday were accompanied by an official estimate from the Office of Management and Budget that the 1990 deficit (for the year which started in October) will be just under \$124bn. This is the result of the same measures which were certified only a few weeks ago to imply a deficit of \$100bn, and which according to the Congressional Budget Office will actually produce a deficit of \$137bn.

## Trivial sums

In terms of the US economy as a whole, let alone of the entire developed world economy, these sums are trivial. The Gramm-Rudman process does put real downward pressure on spending, and so helps to stop the situation getting any worse, and it is the only modest further difference if the targets were actually hit instead of being ritually missed. The outcome is probably as good as it is realistic to expect in the political circumstances in which the President is advised that his no-tax pledge is essential to his party's future, the Democrats must defend welfare for their party's sake, and in which neither dare reduce their past commitments to the retired.

In many ways the 1991 proposals are as deceptive as ever. Above all, the claimed reduc-

tion in the deficit is largely due to the growing revenue from social security taxes. This means simply that the US is using the retirement savings of ordinary workers to pay interest on the national debt. If a private scheme was run in this way it would be described as a Ponzi scheme, and its trustees could be sued for fraud. Unfortunately the illusion that the US system is soundly funded does not come free; it is the main justification for the claim by the old age lobby that retirement benefits have been fully bought by the beneficiaries, so that any reduction would be theft. Senator Moynihan's proposal to cut the social security tax would paradoxically make the future burden more obvious even while cutting current payments.

## 'Peace dividend'

However, although the claim that the deficit is being eliminated conceals the truth that it is probably rising a little, there is one ray of hope for a better outcome: the "peace dividend" is not being collected in 1991, but a significant instalment of it may become payable after the scheduled arms negotiations. It seems clear that the Pentagon's very cautious defence budget cuts have much more to do with preserving its bargaining chips than with planning for any real military contingency. The proposed \$6bn policy cut in defence spending could grow to something near \$45bn within three years or so. This could bring perhaps half the gap between the claimed deficit and the likely outcome.

None of this alters the conclusion that the US budget process is becoming a machine for avoiding hard choices rather than for forcing the politicians to face them. The proposed capital gains tax cut may encourage a few start-ups, at a large cost in distorted incentives, and there is a very modest proposal to encourage personal savings accounts. But there is still no language to suggest a serious attempt to raise the national savings rate by the two or three percentage points needed to put the US on a path of independent growth instead of external dependence.

## A government for London

YESTERDAY'S proposal by the British Labour Party that there should be a new, elected, strategic authority for London begs many questions. It is in fact just part of a manifesto for the May local elections. It should not be less taken seriously. The degeneration of many London streets and the absence of a strategic plan for Britain's capital city are surely not unconnected with the fact that since the disappearance of the Greater London Council nearly four years ago there has been no single, controlling, metropolitan authority. This is not to call into question the abolition of the unwieldy, profligate and inefficient GLC itself; the issue now is whether, and in what form, a new London government should be established. Labour says it will be "lean and tightly managed," but more detail will be required if that phrase is to sound convincing.

The first problem is that during most of the postwar period the structure of London government has been a political football. The Tories did not like the old London County Council, which elected councillors to return Labour administrations, so it added in Conservative outer suburbs to create the GLC, which it got rid of after it was found that that, too, seemed likely to be Labour-run in most years. Labour's last period of office as County Hall was marked by an incompetent and provocatively Labour-left programme, which did nothing to enhance the prospects of the party nationally. The leader of the Labour Party, Mr Neil Kinnock, would do well to nail this issue by proclaiming now that the new London council will be elected by proportional representation; this is an implicit option in Labour's plan for a regional government, of which the London council would be a part.

## Responsibilities defined

A further task is to establish just what it is that a new London council would do. Labour's proposal is that it will oversee public transport, regional planning, roads, the police, fire services and waste disposal. All of these are likely to be best managed by a central city authority, although transport in particular requires decisions that

stretch right across the south east of England. The Labour Party does not say what precisely neighbouring regional authorities would undertake, and where the boundaries of responsibility would lie. Much of the political appeal of Labour's new approach will come from the widespread feeling of frustration at the blockages in London's transport, public and private, but the party will not derive lasting benefit from mere statements of good intent.

## Funding source

A third question is, how will it be funded? The Labour programme suggests a substantial increase in expenditure on city services; indeed it unashamedly calls for a subsidised public transport system. Neither the amount of money required, nor its source, are specified. The party's replacement for the poll tax, which is to be based on a property tax formula related to occupants' incomes, has yet to be fully worked out. The history of changes in local government finance is a long one, marked by repeated attempts at reforming the structure without reforming the finance, and vice-versa. No suggestions for change will be credible unless the two are addressed simultaneously.

The fact remains, however, that London is not what it used to be. There is much new development, some of it worthy, but also much decrepit, a great deal of pavement rubbish, unaffordable housing, congested roads, and run-down underground services. Education, which should stay within the boroughs, is in a poor state. Central Government departments are not competent to coordinate the other work of the boroughs on a London-wide basis, and ad-hoc co-ordinating authorities do not have the necessary democratic base.

The case for a London-wide council is a strong one. What is also needed is a directly elected, properly executive, mayor of all the area within the M25 ring road. The right person could give London its appropriate standing among the great capitals of Europe. At least London might cease to be Europe's largest litter bin.

Japanese companies are building a commercial empire in east Asia.

Operating in the fastest-growing region on earth, Japanese businessmen are seizing opportunities which many of their Western rivals are failing to grasp. The position of European and US companies is still strong in east Asia, but it is weakening daily - diluted by the flow of Japanese capital, technology, trade and government aid.

So far the battles are largely being fought in the corporate arena. But with tensions between the West and Communist countries easing, economic conflicts between the West and Japan are becoming increasingly political. East Asian countries, once mostly colonised by the Europeans and later strongly under the influence of the US, may be increasingly forced to choose between these older links and their newer ones with Japan.

Japanese officials are beginning to acknowledge the true scale of the country's regional influence. In an unusually frank report last year, the Government's Economic Planning Agency said: "The position of the US has dropped in relative terms... Japan's position has risen dramatically."

Others put it more bluntly. "Americans, British, French all make a lot of noise. But the Japanese are the real power in Asia," says Mr K C Kwok, an economist at Hongkong and Shanghai Bank in Hong Kong.

Some Asian countries feel threatened by Japan's resurgence, particularly those which harbour bitter memories of Japanese rule during the Second World War. But for the most part they are prepared to swallow

## US opinion polls are showing that Americans believe Japan is a greater threat than the Soviet Union

their pride in the hope of sharing in the rewards of Japan's vast wealth - a hope which in many countries is already being fulfilled. "Japan is the only country capable of supplying resources to the region," says Mr Ali Wardhana, a former Indonesian Cabinet minister.

Japan's first post-war investments in the region were made to secure supplies of raw materials, principally from Indonesia. This was followed in the 1970s and early 1980s by waves of investment mainly in the Newly Industrialised Economies (NIEs) - South Korea, Taiwan, Hong Kong and Singapore - designed to enter their markets through import-substitution and to establish a base.

Since 1985, the rise of the yen has forced Japanese companies to redouble their efforts. With wages and currencies climbing in the NIEs, Japanese interest has focused on the members of Association of South East Asian Nations (Asean). Of these, Thailand has been the main target for the last two years - now it is Indonesia and Malaysia. Many companies would prefer to go to China, because it is closer and more familiar. But they were wary of the difficulties of doing business even before last year's political crackdown.

Low labour costs are the main impetus. Early last year, a skilled worker's wages in Singapore were 20 per cent of those in Tokyo, according to the Mitsui Research Institute. For Bangkok the figure was 10 per cent, and for Jakarta 4 per cent. Japanese industrialists expect these gaps to close, but not for a long time.

Japanese influence varies greatly between countries. But by most macroeconomic measures, the Japanese have overtaken the Europeans and are fast catching up with the Americans. According to the Nomura

Stefan Wagstyl finds that Japanese business is leaving its US and European rivals standing in a fast-growing market

## Japan sets its stamp on east Asia

## Direct investment flows to East Asian countries

| China | 1985   | 89/89  |
|-------|--------|--------|
| Japan | \$100m | \$296m |
| US    | \$172m | \$99m  |

| Hong Kong | 1985   | 89/89    |
|-----------|--------|----------|
| Japan     | \$131m | \$1,662m |
| US        | \$44m  | \$729m   |

| Thailand | 1985    | 89/89    |
|----------|---------|----------|
| Japan    | \$48m   | \$559m   |
| US       | (\$43m) | (\$154m) |

| South Korea | 1985   | 89/89  |
|-------------|--------|--------|
| Japan       | \$134m | \$453m |
| US          | \$37m  | \$171m |

| Taiwan | 1985   | 89/89  |
|--------|--------|--------|
| Japan  | \$114m | \$372m |
| US     | \$1m   | \$230m |

| Philippines | 1985     | 89/89  |
|-------------|----------|--------|
| Japan       | \$61m    | \$134m |
| US          | (\$244m) | \$77m  |

| Singapore | 1985    | 89/89  |
|-----------|---------|--------|
| Japan     | \$39m   | \$747m |
| US        | (\$45m) | \$626m |

| Malaysia | 1985  | 89/89  |
|----------|-------|--------|
| Japan    | \$70m | \$367m |
| US       | \$42m | \$316m |

| Indonesia | 1985   | 89/89  |
|-----------|--------|--------|
| Japan     | \$408m | \$586m |
| US        | \$176m | \$61m  |

| Japanese in Asia | Individual investment deals (000) |
|------------------|-----------------------------------|
| 1970             | 7                                 |
| 75               | 6                                 |
| 80               | 5                                 |
| 85               | 4                                 |
| 89               | 3                                 |

Source for Japan: Ministry of Finance to Mar 89  
Source for US: Commerce Dept. to 1988

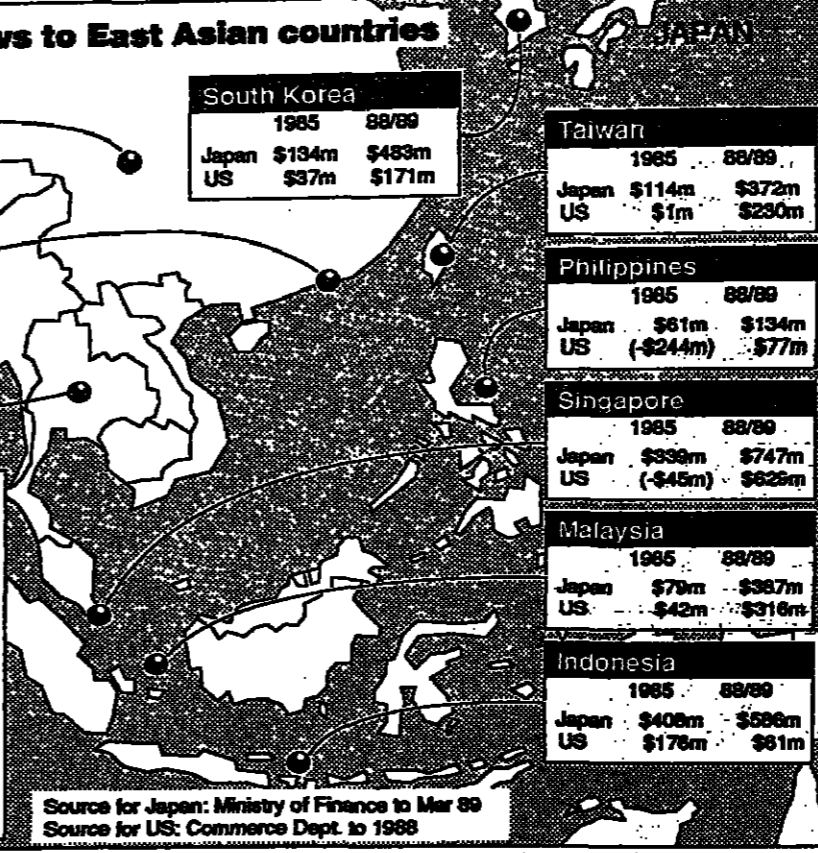
Research Institute, Japan takes 25 per cent - the biggest share - of Asean's exports, principally oil and gas and raw materials. For the NIEs, the US is the pre-eminent market, accounting for 31 per cent of exports in 1988. But Japanese imports from Asia are growing fast - by 20 per cent last year to \$88bn. Meanwhile Japan has long been east Asia's biggest import source: supplying vital machinery and office equipment.

Japan overtook the US in the mid-1980s as the largest provider of foreign capital to the region. In the year to March 1989, Japan's flow of direct investment to Asia was \$5.6bn, compared with \$1.4bn in 1985. The nearest comparable figure for the US (for the calendar year 1988) was \$2.8bn. Japanese investment in the US and Europe is greater than in Asia. But relative to the size of the region's economies, the Asian investments are huge - four times more for Thailand than for the US, for example.

As for government aid, Japan, the world's largest donor, provides 60 per cent of Asia's Official Development Assistance - a sum which accounts for about 60 per cent of Japan's aid budget. The microeconomic details are just as compelling.

Japanese banks account for 56 per cent of bank deposits in Hong Kong. Japanese department stores have 30 per cent of the colony's retail sales. At night the neon lights illuminate Hong Kong's harbour. In Malaysia, one Japanese company - Toray - accounts for a quarter of the nation's textile exports. In Thailand, most of the cars clogging Bangkok streets are made at local Japanese-run assembly plants.

Western companies are by no means out of the race. Many Western



companies in east Asia are at least as strong as the Japanese. Exxon, Shell, British Petroleum and other Western oil groups dominate oil and gas exploration and production. IBM is the biggest supplier of large computers. The top suppliers in chemicals and pharmaceuticals include Du Pont, of the US, ICI, the British group and BASF, of West Germany.

Japanese bankers may have the deepest pockets, but other banks have better connections - including Hongkong and Shanghai Bank, Standard Chartered Bank and Deutsche Bank. However, US and European businessmen concede that overall they are not matching the Japanese effort. "Japanese don't necessarily see opportunities first but pursue them more actively," says Mr Martin Barrow, a director of Jardine Matheson, the Hong Kong trading house.

Politicians often feel the same. Mr Chatichai Choonhavan, the Thai prime minister, recently told a US news agency: "You Americans don't compete enough with the Japanese. I don't want my children to speak Japanese. I want them to speak English."

Indeed some Japanese say their biggest competitors in Asia are not Westerners but other Asians, especially internationally-minded Koreans, Taiwanese and overseas Chinese businessmen. Sir Y K Pao and Mr Li Kashing, the heads of two of Hong Kong's biggest trading houses, for example, do not want their children to speak Japanese. Or the chiefs of the large Korean conglomerates - Samsung, Hyundai, Daewoo and Lucky-Goldstar.

Western executives say Japanese companies are succeeding for the same reason as elsewhere - a willingness to think long-term. Mr Tom White, chairman of the Asia-Pacific Council of American Chambers of

Commerce, says: "I don't subscribe to the view that US and European companies are out of it. But the Japanese are more aggressive. They can get cheap capital. We can't."

The Japanese acknowledge that east Asian markets are often small but they look at the growth rates achieved over the past decade and extrapolate them into the 1990s. Senior Japanese executives in activities as diverse as banking, motors, electronics and hotels expect east Asia to generate an increasing proportion of their international profits.

Japanese companies are ready to take risks. Yashima, a retail group, with 35 per cent of its sales overseas, says it is this year moving its headquarters from Japan to Hong Kong. Japanese companies are well advanced in developing international networks in the region - for example Matsushita Electrical Industrial, the electrical combine, and Toyota, Nissan and Mitsubishi Motor, the car makers.

By melding Japanese managers, technicians and machines with low-cost local workers, Japanese companies are producing "increasingly advanced goods for export. Mitsubishi exports Proton cars from Malaysia to the UK and Lancasters from Thailand to Canada. This year it is considering exporting station wagons to Japan."

"There is nothing new about transferring labour-intensive work overseas to low-wage countries. Japanese industry has only around 5 per cent of its production overseas compared with 20 per cent for the US. But Japan is likely to catch up - The Ministry of International Trade and Industry estimates key sectors, including

autos, machine tools, and industrial electronics, could have 30-50 per cent of their output abroad by 1995-2000. Consumer electronics could point the way - 90 per cent of Japan's fans are already made abroad as are 60-65 per cent of its radios and radio-cassettes.

The corporate giants are being followed by their parts makers. Japanese companies are particularly persistent in keeping control of the manufacturing process. Mr Izumi Hara, an economist at the Industrial Bank of Japan, says: "Japanese companies never quit any product area so they do not lose technology, even if it means going to China to make black and white televisions."

The Japanese corporate advance generates some tensions. In Hong Kong, Japanese construction companies have been accused of unfair trading in making low bids for large contracts.

In Thailand local businessmen have complained about Japanese companies poaching their best engineers. But there has been no repeat of the Tanaka riots - demonstrations which met a Japanese prime minister's visit to Asean countries in 1974. The passions aroused by Japanese land purchases in Hawaii and Australia have no parallels in east Asia. Nevertheless, Japan has to tread carefully. It is respected but it is not liked.

In Korea, people who install satellite dishes to pick up Japanese television broadcasts are denounced as unpatriotic. In Thailand, architects have complained that a Japanese-funded Thai cultural centre is too Japanese in design. Young Asians studying overseas prefer the US, Europe or Australia to Japan. Japanese popular culture makes inroads but it is insignificant alongside Western (principally American) influences.

Japan has been reluctant to cast itself as the region's leader for fear of evoking memories of the wartime Greater East Asia Co-Prosperity Sphere. It is also wary of exacerbating trade friction with Europe or the US by promoting any kind of formal regional economic alliances. Last year it co-sponsored an Asia-Pacific ministerial conference held in Canberra - but only after allowing Australia to take the initiative and insisting that the US be included.

Moreover, while the US is pressing Japan to assume a bigger share of aid and defence costs in the region, it is reluctant to cede influence. Last year, at the Asian Development Bank, for example, a Japanese-inspired plan for increasing the bank's role had to be heavily watered-down at the US's insistence.

Japanese government officials sometimes create the impression that it is only a matter of time before Tokyo unveils a regional masterplan. They talk vaguely of promoting "regional cooperation." But though the Japanese Government continues to supply ever-increasing amounts of aid, it has given no indication that it wishes to - or feels it can - fashion political initiatives in the region commensurate with its commercial influence.

In the meantime, Japanese officials can take comfort from the fact that even though Japanese companies are pursuing their own ends in the region they are also contributing to the economic development of a significant part of the Third World.

As Mr Saburo Okita, a former Japanese foreign minister, says: "If we solve the north-south issues here we can be an example for the rest of the world."

## Foggitt sets it straight

Bill Foggitt, the 'Thirsk' weatherman, has not quite completed his sums, but thinks that this month could go down as one of the mildest Januaries this century. The ones to beat are 1976, 1932 and 1917, all about 4 deg F above average. The warmest day in Thirsk this month was January 11 when the thermometer hit 60 deg F, but while the mild weather has coaxed out a profusion of winter-flowering jasmine and accelerated the primroses, snowdrops and crocuses, it has not yet brought out the blackthorn, witnessed only once in January during Foggitt's lifetime.

He is not carried away by the notion that the greenhouse effect caused last week's gales. "We have had fierce winds before. The Tay Bridge was blown down in 1879, the Eddystone Lighthouse was blown away in 1707 and the Armada was scattered by gales in 1588, but they didn't know about the greenhouse effect in those days."

Foggitt's popularity in the Three Tuns in Thirsk has grown measurably since he received the gift of a supply of beer from the FT at Christmas. It even made the local press. "I have a few little parties," he said. "My sister's friend called in one time. She is 65 and can drink sherries as if there is no tomorrow. She has to be restrained."

A further presentation arrived from the Meteorological Office - a large book on the countryside in honour of 75 years of continuous records from the Foggitt family.

## After Henry V

The Kenneth Branagh phenomenon marches on. Not only has his Henry V been named best British film of the year, CBS UK has taken a 15 per cent stake in the company behind it, Renaissance Films

## OBSERVER

plc. Branagh is the managing director of Renaissance, the chairman is the stockbroker, Stephen Evans, who devotes more and more of his time to Branagh's work. Henry V is the only film the company has made so far, but there are thoughts of others, including Hamlet.

"We were looking for a big brother to take a significant minority stake," Evans says. CBS UK, now owned by Sony, fitted the bill. "Not very big money for them, but quite big for us." It was £350,000.

## Floreat Flowers

Another case of art going to the aid of commerce. Floreat Flowers Gallery, which is offering up to 500,000 ordinary shares of 15p at £1 a piece under the Business Expansion Scheme. It is the first British gallery dealing only in contemporary art to take this route. The gallery counts among its financial advisers Robert Heller, the management writer, who has been an admirer almost since Angela Flowers set it up in 1970. "We never had a proper capital base," says Heller, "though sales have gone very well in the last few years."

The gallery is now firmly established in Hackney, a location that has not proved at all a disadvantage, and the artists have proved remarkably loyal. Some of them will be buying shares.

If all goes well, there could be branches in the West End and New York in the not-too-distant future.

## Double trouble

Whether Observer's campaign to eliminate the double genitive is making ground remains debatable; it has certainly stirred up interest. Don



"What am I supposed to do with a forged ID card?"

Peters of Pimlico writes that since the mighty Fowler never mentioned the double genitive, "he must have thought it quite normal and unquestionably acceptable."

Peters says that if Observer wants to take on the role of pedagogue, he should start work on the paper's writers rather than its readers. He claims that we nearly always misuse the word "protagonist" and cannot tell the difference between "flaunt" and "flout".

Indeed most readers really want a campaign for something else. David Sinclair, a mathematician from Hampshire, complains about the use of a singular verb with a plural noun, especially on the BBC weather reports. For example: "Here's a couple of examples of the charts." Sinclair also raises the question: "What is the origin of 'yours' as in 'yours faithfully'?"

It E Rylands of Keswick wants a campaign against the use of the word "eponymous", which he says most people either use in the wrong context or do not understand; as, for instance, in "the eponymous

Gerald Ratner". Stephen Macklow-Smith of North London says that the origin of the double genitive lies in a form of the French superlative, then goes on to tell a long story about a man from Credit Suisse First Boston who over-indulged in a restaurant in Knightsbridge, but was well looked after by a taxi-driver and his wife in Wansted.

## Friendly bombs

One of the troubles with the European Fighter Aircraft is its name, especially in West Germany where the general mood has become very pacifist. Even the three-nation Tornados may not have got very far if it had continued to be called by its original title: the Multi-Role Combat Aircraft (MRCA). To the Germans, the EFA has been known until now as the Jäger-90. Yet the idea of the Jäger-90 is clearly too bellicose for an increasingly anti-military and environmentally-conscious public. The EFA's promoters say that as a defensive aircraft, the Anglo-German-Spanish-Italian interceptor should be ultra-acceptable to the new Gorbachevian world of "defensive defence."

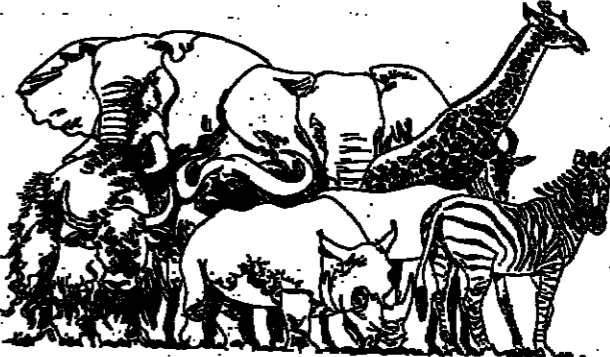
We put it to a General in the Luftwaffe that something like the Fliegende Igel (which is German for Flying Hedgehog) might suit. It has the advantage that for war-mongers Igel sounds enough like Eagle, even though the Americans have bagged that name for one of theirs.

The General, addressed seriously and said it did indeed convey defensive purpose. It could catch on, though there is also Europe's Friendly Aircraft and other suggestions are being sought.

## Your guess

Card pinned to the door of a Fulham flat: "Please do not knock or ring when I am out as it will upset my budgies. Thank you."

## At the heart of the North West



## The ideal relocation habitat



Contact: Jack Miller at the Department of Planning and Development on 051-443 2251  
Knowsley Borough Council, Municipal Buildings, Archway Road, Huyton, Merseyside L36 9UX

## LETTERS

## Building on the UK's natural energy resources

From Mr M.J.S. Gibbons

Sir, Your columns in recent weeks and the increasing concern within UK industry about future electricity prices for large users have again raised the issue of the relationship between industrial and domestic prices for electricity. The Director-General of the Confederation of British Industry (Letters, January 13), gave evidence that UK large users' prices are already higher than in several European Community countries. He might also have added that the domestic price of electricity is the lowest in the European Community,

## ELECTRICITY PRICES (domestic/industrial ratio)

|                | 1986 | 1988 |
|----------------|------|------|
| Belgium        | 2.51 | 2.77 |
| Denmark        | 2.42 | 2.82 |
| France         | 2.62 | 2.74 |
| Germany        | 1.73 | 1.78 |
| Ireland        | 1.58 | 1.49 |
| Italy          | 1.40 | 1.54 |
| Netherlands    | 2.13 |      |
| United Kingdom | 1.47 | 1.46 |

according to figures published by the Government in a written answer to the House of Lords on December 6 last year.

I thought your readers would be interested in further analysis of the figures. I have represented the figures (the original source used was the International Energy Agency) as a ratio between domestic and industrial prices. Thus the difference between small and large user prices is least in the UK and, if we are to believe the current rumours, likely to reduce further. By contrast, in the rest of the Community the trend appears to be of increasing divergence. Have the UK accountants who allocate costs between these sectors gone to a differ-

ent school? It would seem that the rest of the Community can justify these differences. What ever the reason, large users in the UK still await the opportunity to build on the strength of the UK's natural energy resources through internationally competitive prices which would underpin the long-term health of several UK manufacturing industries. M.J.S. Gibbons, Energy Policy and Purchasing Manager, ICI Chemicals & Polymers, PO Box 50, Wilton, Middlesbrough, Cleveland

## Privatising BR as a unit

From Mr David Sowers

Sir, Mr Davies (Letters, January 22) asked what form of privatisation would be most beneficial for British Rail. In an earlier article ("Privatisation: it but do not split it up," FT, June 8 1988) I argued that BR should be privatised as a single unit, because all means of dividing it up were impracticable. I have not changed my view.

As I argued in the article to which Mr Davies refers ("Removing the politicians from the driver's seat," Janu-

ary 9), I believe that privatisation with an independent regulator would improve the efficiency of BR by removing the scope for political intervention in managerial decisions; for as long as BR is in public ownership, politicians must be expected to intervene in its affairs. To use a hackneyed phrase, privatisation would restore management's right to manage. David Sowers, Crosby, 10 Seaview Avenue, Angmering-on-Sea, Littlehampton, West Sussex

## Increase in unit trusts

From Mr J.S. Fairbairn

Sir, Lex comments (January 25) on the recent growth in the number of unit trusts to 1,379 and states that such a plethora may be good news for managers but it is far too many for small investors. He then suggests, illogically, that small investors would be better served if regulations were "allowed to compete."

Lex seems to have got things the wrong way round. A wide choice is usually regarded as an advantage for consumers, especially today in financial services, where independent advice is widely available from a closely regulated intermediary sector - dismissed disparagingly by Lex as "commission merchants."

Many managers on the other hand find the "plethora" a bur-

den and the obligation to continue managing a unit trust which fails to reach break-even size can result in serious loss. The question whether investment trust companies should be "allowed to compete" is a separate issue. But if they ever are, ways will have to be found to subject them to the same stringent regulations as have been designed for protecting investors in unit trusts.

The latter were actually designed for mass marketing, which accounts for their restrictive investment and borrowing rules and the requirement that investors can at all times redeem their units at asset value, on demand. J.S. Fairbairn, Chairman, Unit Trust Association, 65 Kingsway, WC2

## Some lessons from Japan

From Mr Denis MacShane

Sir, Japanese unions, wage bargaining and industrial relations systems are very different from those in Britain but do not merit the dismissive putdown from Mr John Crump of York University (Letters, January 26).

Low pay, exploitation of immigrant workers and discrimination against women are all as evident in Britain as in Japan. I do not know Mr Crump's age but I can assure him that these problems existed before the beginning of Mrs Thatcher's reign.

The major difference is that Japan opted for a path of manufacturing-centred economic growth and Japanese unions supported that policy by linking wage increases to productivity over many years. The result is a very rich Japan in which workers receive a share and differentials between managers and managers are the flattest in the industrialised world.

The centralised bargaining system, similar to that in West Germany, is a major contributory factor to high wages and good workplace relations.

Japanese unions have focused on economic questions and Japan lacks the social and welfare structures developed in post-war western Europe. The big question now is whether Japan's wealth will be used to improve the quality of life of its people other than through the pay packet.

But in terms of wage bargaining systems and workplace relations it would seem rather arrogant to suggest that British managers, unions and even York University academics have nothing to learn from Japan.

Denis MacShane, International Metalworkers' Federation, 54 bis, route des Acacias, CH-1227, Geneva

## A dish for languages

From Mr Barclay Dutton

Sir, Mr David Steeds (Letters, January 22) need not invest over £2,000 to receive foreign satellite television. A dish for the Astra Satellite has recently been advertised, including installation for £199.99. Or you may choose to rent it from Sky Television for £4.49 a week.

This dish will let you see three German channels, namely RTL plus, SAT 1 and FRODO 7.

Other channels for which

you would need additional decoders and probably the programmers' agreement are: Teleclub (Pay TV, German), Radio Televi (Dutch, multilingual), TV3 and TV 1000 (Scandinavian) and Filmnet (movies aimed at the Dutch, Belgian and Scandinavian markets).

Astra will launch a second satellite at the end of this year. Barclay Dutton, Barclay Dutton Associates, 30 Harrow Green Lane, Welwyn, Hertfordshire

## Tax incentives for United Kingdom savers

From Mr P.D. Hale

Sir, Your editorial comment ("Incentives for UK savers," January 26) suggests that the Chancellor of the Exchequer by incorporating deposit accounts within personal equity plans (PEPs) would do something imaginative for those ordinary taxpayers who have received little help or encouragement to save in the past.

In fact, such accounts are already a permitted form of investment within a PEP. Further than that, cash received into a PEP must, pending other investment, be held in an interest-bearing bank or building society account. However, while the PEP investor will generally be relieved of higher rate income tax on the interest, he is, like any non-taxpayer, unable to reclaim the composite rate tax which is treated as a basic rate income tax credit on his interest. The solution that you should

be seeking is the abolition of composite rate tax which penalises non-taxpayers, the number of whom will increase with the introduction of independent taxation in the next tax year, and a return to the payment of interest either gross or under the deduction of basic rate income tax which non-taxpayers would be able to reclaim. P.D. Hale, Simmons & Simmons, 14 Dominion Street, EC2

From Mr J. Charles Maisey

Sir, Your editorial comment ("Incentives for UK Savers," January 26) both misrepresents personal equity plan (PEP) regulations and misses the fundamental flaws in the position of savers in the UK.

In terms of misrepresenting PEPs, existing regulations permit deposits to be held (interest being taxed at composite rate) so that £4,800 can already be invested as you propose. However, what is the incentive to the saver who typically pays

## Not forgetting Faraday

From Ms Elizabeth Morris

Mr J.C. King and Mr K.W. Nicholls

Sir, We would question Barbara Duns' assertion ("Well-placed Chile leads in the logistic battle for Antarctica," January 11) that the Chileans operate "... one of the continent's three most important meteorological stations" with the other two being run by the US and the Soviet Union. If any station in the Antarctic peninsula is worthy of this accolade, then Faraday, operated by the British Antarctic Survey, must be the strongest contender.

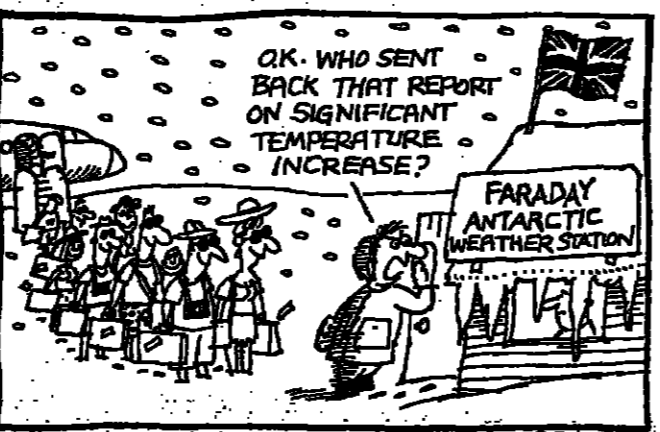
Faraday Station, situated in the Argentine Islands some 300 miles south-east of the Chilean base, Lieut Marsh, has operated a full meteorological programme since 1947 and thus holds the record for the longest series of continuous climatological observations from the Antarctic peninsula. Marsh is a relative newcomer, with observations starting in 1960. Regular observations of ozone, and

upper-air measurements using meteorological balloons, were started at Faraday in 1956.

Faraday's record is of intense interest at present. Climate models used to predict the results of a greenhouse warming show an amplified temperature increase in polar regions, particularly in the Antarctic peninsula. Long-term climatological observations are needed to show even this magnitude of the record from Faraday is only now demonstrating a statistically significant warming trend (not necessarily associated with the greenhouse effect), and it will be many years before such evidence is available from Lieut Marsh.

Forgive us if we sound a little partisan, but we are proud of our station and of the research we conduct there.

Elizabeth Morris, J.C. King K.W. Nicholls, ICS & Climate Division, British Antarctic Survey, High Cross, Madingley Road, Cambridge



## Market-driven training

From Sir Charles Villiers

Sir, Your editorial comment ("The education decade," January 15) was followed by Mr Michael Howard, Secretary of State for Employment (January 22), saying that the development of eastern Europe would mean many more countries able to make things that do not require high skills and that Britain's hope of becoming a high wage economy was achievable only if the necessary skills were developed by a boost to training. Right! But what sort of training?

Sophisticated modern products are not produced in the same way as mass produced commodities, for which skills are simple, well known and easily taught on the bench. They were the foundation of Britain's strength and wealth - and still are.

We have now to move to customised, one-off products made to infinitely variable computer programmes. This process is knowledge-intensive and it will be demanding.

Britons are in fact good at this. Japanese managers of Welsh plants have said that the local workforce is their best, worldwide. Britons enjoy this sort of work, which requires flexibility of thought and imagination, quick response to problems, enough knowledge to dare to innovate and suggest alternatives and confidence in computers in all aspects of business.

We do have curricula which teach this culture, but they are at present only for specialists. They should be available to all. That is why we should introduce training vouchers, as proposed by the Confederation of British Industry. Training would then be market-driven and we should get out from under the inherited industrial culture.

Charles Villiers, Blackness House, Sunninghill, Berkshire

## Justice and the poll tax

From Mr M. Swiss

Sir, The judiciary is coming round to the view that a fine of, say £350, for a small offence may mean a fortnight's income to one and the earnings of a day to another, and that fines should therefore be adjusted to this factor.

So why is it that all are being asked to pay about £350, irrespective of income in the case of the community charge? M. Swiss, 277 Valley Road, Sherwood, Nottingham

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Charles Villiers, Blackness House, Sunninghill, Berkshire

## FOREIGN AFFAIRS

## No crusade, no jihad

The Transcaucasian conflict is not a war of religion, argues Edward Mortimer

of Nakhichevan, a Turkish intervention on the side of Azerbaijan is not inconceivable. If it happened there can be little doubt that it would be accompanied by the killing of Armenians on a much larger scale; perhaps even the destruction of the Armenian republic and the final dispersal of the Armenian people from what is left of their country. That might well have happened in 1920-21 had not the Russian civil war come to an end and Russian power been revived in Soviet form. The Armenians accepted Bolshevik rule and a truncated territory as the lesser evil, the apparent alternative being extermination by the Turks.

One of the most depressing aspects of the present situation is the readiness of many people in the West, and some in the

Islam. The separation of religion and state is contrary to the principles of Islam as most Moslems understand them - and that can cause problems when Moslems expect a non-Moslem state to protect their religion from insult, as in the Rushdie affair; still more so when even a small number of Moslems claim that their religious duty overrides the laws of that state in a matter of life and death. But those problems should not mislead us into assuming either that Moslems are the aggressor in every conflict, or that every political agitation involving them is a product of religious fanaticism.

Whatever was the case in the Middle Ages, it is inconceivable that in the last two centuries Moslems were on the receiving end of imperialism virtually wherever they lived.

## If the Armenians deserve support, it is not because they are Christians but because they are human beings who are threatened

Islamic world, to see it as yet another episode in a supposedly unending and irreconcilable trial of strength between "Christianism" and Islam. One might have thought the very notion of Christianism was an anachronism, since it implicitly identifies the Christian religion with a particular part of the world and a particular group of nations or states. Hinduism, for example, is one of the great achievements of Christianity in this century has been to disentangle itself from the socio-political order and to reaffirm the direct relationship between God and individual human beings, irrespective of their race or the political regime to which they owe allegiance.

It is true that this approach has not been and probably cannot be fully replicated by

Since 1920 most of them have regained their independence in the sense of being ruled by their own kind rather than by non-Moslems. But there are still quite a few exceptions, the Moslem regions of the Soviet Union being the biggest. A smaller but currently topical one is Kashmir, where a Moslem majority was kept under Hindu rule against its will at the time of the partition of India. The Moslems of Kashmir are again causing "trouble," and yesterday one of Britain's usually most enlightened newspapers responded to this with a cartoon showing the sword of Islam, held by an uncouth figure in beard and turban, poised to amputate the hapless Indian province. Too often the western attitude to Islam seems to be that of the

old French joke: *cet animal est très méchant; quand on l'attaque il se défend.*

Many Moslems also feel that about the western attitude to Azerbaijan. They contrast western outrage at any suggestion of a Soviet clamp-down in the Baltic states with western expressions of understanding and support when the Soviet army actually cracks down in Baku, killing hundreds of people in the process. This overlooks the fact that an anti-Armenian pogrom had been carried out in Baku in the immediately preceding days. It may be (as Azerbaijani nationalists have claimed) that this pogrom was deliberately encouraged by the discredited outgoing leadership of the Azerbaijan Communist Party; and it may also be that the armed intervention had more to do with meeting a challenge to Soviet power than with saving the lives of Armenians. An interpretation confirmed by the Soviet defence minister's remarks last Friday. Still, the pogrom did happen and it inevitably affects people's attitudes to what followed.

My point is, however, that this has nothing to do with Islam or Christianity. If the Armenians deserve support, it is not because they are Christians but because they are human beings threatened with massacre, and this also applies to Azerbaijanis living in predominantly Armenian areas. Things have got to the point where further bloodshed may only be avoided by the sad but well-tried method of sorting out the population into ethnically homogeneous blocs and putting a peacekeeping force in between: perhaps an international one, if Russians no longer have the appetite or the authority to do it. The number of people obliged to leave their homes would be smaller if Nagorno-Karabakh, with its predominantly Armenian population, were placed on the Armenian side of the line: even so, about half a million Armenians would have to be removed from Azerbaijan, against only 200,000 or so Azeris from homes in Armenia.

The Armenians, like other Christian communities in the Middle East, have suffered in the past from being seen by Moslems as a fifth column of western imperialism, and from their own propensity to put too much faith in the intervention of western powers in their region. What threatens them is not Islam but Turkish and Azerbaijani nationalism, and more especially the pan-Turkist vision which sees the Turkic peoples as potentially a single nation, with the Armenians standing in its way.

## "The COMECON countries must fit into the world market..."

\* Miklos Nemeth, Prime Minister of Hungary, January 1990



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# FINANCIAL TIMES COMPANIES & MARKETS

Tuesday January 30 1990

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**WOLSELEY**

The name behind the name.

## INSIDE

### Business for sale: offers considered

Leading UK biotechnology group Celltech is up for sale - and may have a hard time finding a buyer. Sales of biotech-derived drugs last year came to about \$1bn, less than 1 per cent of world medicines output, and only a fraction of the amount projected. Large groups have also been establishing their own research and even BASF subsidiary Knoll, which has not ruled out making an offer for Celltech, admits that "the decision would have been much easier five years ago, before we built up our own expertise." That leaves the field clear for the Japanese - should they want to take the plunge. Page 27

### Shunning the limelight

Mr Erivan Haub, owner of West German food retailing group Tengelmann, emerges from self-imposed obscurity once a year to comment on his company's performance. His latest message was that, despite sales of DM37.2bn in the 1988-89 year, low margins and declining profitability from its 3,501 stores at home meant Tengelmann was not becoming increasingly international. In his first interview for a decade, Mr Haub tells Haig Simonian of his plans to gain eventual control of Isosceles, in which Tengelmann's US partner AAP holds a 20 per cent stake. Page 20

### Indian battle lines are drawn

The Ambani family of India is fighting to retain control of its Reliance engineering group in the face of government and court challenges over its 1988 takeover of Larsen & Toubro. "The Ambanis acquired L&T through collusion and manipulation," Mr Madhav Dandavate, Finance Minister, alleged in an interview. However, the Ambanis have gained a reputation for feistiness: the battle could be a long one. Page 21

### A family at war

France's most distinguished publishing family has been feuding for so long that it is not surprising that the world's leading publishers are gathering hungrily in case the battle ends up bringing the company on to the market. Francoise Gallimard, sister of Antoine and Christian who control the company of the same name, announced last week that she had had enough and was willing to sell out. George Graham reports. Page 22

### Waste not, want not

In an effort to shed the image of being wasteful, inefficient and non-profit oriented, the Nigerian National Petroleum Corporation put 10 financially autonomous subsidiary companies into commercial operation last year. It also sold 20 per cent of an 80 per cent interest it held in a joint venture with Shell. This was some way to relieving financial strains. But if the Nigerian oil industry is not to stagnate, NNPC must raise considerable sums for investment in both exploration and downstream projects, writes Nicholas Woodworth. Page 32

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### Chief price changes yesterday

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## Ferranti sues auditors for £400m

By Hugo Dixon and Charles Leadbeater in London

FERRANTI International will be seeking damages of £400m (£650m) in its negligence claim against PricewaterhouseCoopers, the former auditors of International Signal & Control. The UK defence group issued a writ against PricewaterhouseCoopers last week alleging that it was negligent in failing to spot a large-scale fraud at ISC in the five years before Ferranti acquired it. In the writ, the company did not put a figure on the damages it was claiming. However, a Ferranti executive said yesterday that the group would be looking for £400m to cover the amount lost in the fraud plus accrued interest.

It is understood the main thrust of Ferranti's case will rest of whether the auditors took reasonable steps to check inventory and work in progress claimed by ISC. The executive also said that in the five years before Ferranti acquired ISC in 1987, ISC's actual cumulative profits were zero. ISC's accounts, however, showed continually rising pre-tax profits, which reached £56.5m in the year to March 30, 1987. Baring Brothers, Ferranti's adviser, is confident it will be able to persuade the company's banks that the proposed £367m rights issue, initially due to be approved this Monday, should be abandoned. Ferranti needs the

agreement of the 29 international banks in the syndicate, which is led by National Westminster, by Friday afternoon. Under the revised banking agreement signed last week, Ferranti will make a repayment of £225m on April 30, a further £75m on June 30 and a final £50m on September 17. Instead of these repayments being funded by the proceeds of the rights issue and asset disposals, Baring wants the banks to agree that they will come purely from asset disposals, principally last week's agreement. Ferranti would sell its defence systems division to Britain's General Electric Company for £310m.

Ferranti would then seek to reduce its banking facilities. Meanwhile it emerged that Sir Derek Atin Jones, Ferranti's chairman and chief executive, offered to sell the entire group to British Aerospace at a price of 75p a share, or £360m, the day after the alleged fraud surfaced. Ferranti executives believe BAE decided not to make a move because payment problems with the £15bn Al-Yamamah arms deal with Saudi Arabia, on which BAE is the main contractor, threatened to create financial pressure on the group. The disruption has since been ironed out. While Ferranti is negotiating

## BAT 'put forward Axa joint venture idea last autumn'

By Nikki Tait in Chicago

BAT INDUSTRIES, the UK tobacco-based conglomerate which has been under bid threat from Sir James Goldsmith's Hoylake consortium, initiated the idea of a joint venture with Axa-Midi Assurances last autumn and instructed its adviser, S.G. Warburg, to assess the French company.

Axa, France's third-largest insurance company, has been lined up by Hoylake as the potential buyer of Farmers Group, BAT's US insurance subsidiary, should the consortium make a successful offer for the conglomerate. Axa is now using the Warburg conclusions as part of its case that it would be a suitable owner of Farmers.

According to testimony by Axa's lawyers in Illinois insurance regulatory hearings, the idea of a joint venture with BAT was first mooted within BAT in early November. This was well ahead of an "advisers' meeting" on November 24, details of which were leaked to the Goldsmith camp and subsequently made public.

According to documents that have emerged in Illinois, Mr David Albini, a BAT finance director, sent the suggestion to Mr Brian Garraway, BAT's deputy chairman, on November 9.

At the meeting - which BAT has dismissed as a brainstorming session on which no further action was taken - the joint venture idea was again raised. A week later, Warburg presented Mr Garraway and Mr Albini with a financial assessment of the French group.

The Axa lawyers say that this "praised Axa's strong domestic base, its aggressive management and concluded that if Axa were to withdraw or step back from its arrangement with Hoylake there could be some scope for a merging of non-domestic interests."

This, they suggest, referred to interests owned by Axa and by Eagle Star, BAT's UK insurance subsidiary.

In London, BAT confirmed that Warburg was asked to do a further study but said that the conclusions were less "upbeat" than the impression given in Illinois.

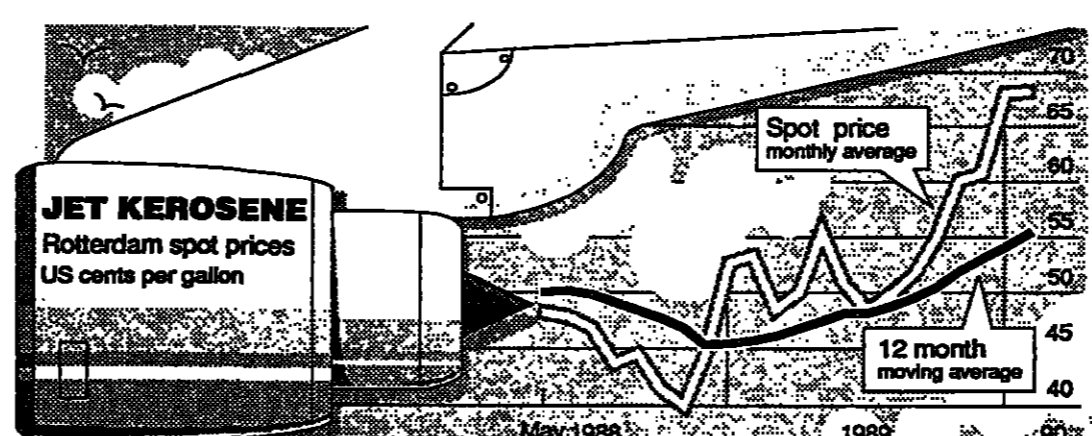
BAT added that it was decided the Axa idea "wouldn't be practical at the moment" and was not being pursued further.

However, Axa is using the Warburg report to press its Farmers case. BAT maintains there is a distinction between being a partner in a joint venture and being fit to own a large US insurance business.

## Time to fly on a wing and two prayers

Roderick Oram and Paul Abrahams on the downturn threatening US and European airlines

Mr Bob Crandall, chairman of American Airlines, likes to describe his industry's plight this way: a luxury liner is crossing the Atlantic during the war with a magician and a talking parrot as entertainers. After each trick, the parrot tells the audience the ship is torpedoed and sinks. After four days on a raft, the parrot breaks its silence, saying to the magician, "Okay, I give up. What did you do with the ship?"



US airlines, long at war with each other, had cruised onwards and upwards over the past few years thanks to rapidly growing traffic and clever management. Suddenly, in the middle of last year, it all broke loose. Traffic stopped growing, summer promotions got out of hand and costs accelerated. As a result, the industry's third-quarter operating profits dropped 50 per cent from the year-earlier levels. Pan American and Trans World, two of the weakest US carriers, suffered operating losses in the period that is normally their most profitable season and the one that carries them through the rest of the year.

However, the real turmoil was unleashed in September when fuel prices began to soar - by the last week of the year the airlines were paying about 56 cents a gallon, up from 55 cents a week one. The average cost of fuel for the year was some 30 per cent higher than in 1988. With fuel accounting for roughly 20 per cent of a carrier's operating costs, the surge devastated fourth-quarter earnings. Industry operating profits for the year were down from \$3.9bn to around \$1.5bn.

The US carriers are still working out what hit them: European airlines are in a similar jam. Analysts believe worse is to come. Even if the US avoids a recession this year, both business and pleasure traffic will at best be flat. Moreover, the leading carriers are planning to increase their capacity by about 10 per cent this year, the biggest rise since the late 1970s, with the addition of some 250 new aircraft to the US fleet.

Competition looks set to become even more vicious, particularly in the few markets where one carrier fails to dominate, such as on the West Coast corridor.

Many analysts believe that, nationwide, fare yields could slip a few percentage points, while operating expenses are likely to rise some 6 or 7 per cent. Thus, the industry's operating profits are likely to fall to around \$1.2bn this year. With interest expenses running at about \$1.4bn, the industry will be in the red before depreciation and other items are taken into account. A US recession would make things even tougher.

Bucking these trends will be difficult. Airlines are trying to add a \$12 fuel charge to round-

## De Benedetti makes ownership of titles price of Mondadori exit

By John Wyles in Rome

MR CARLO De Benedetti is prepared to negotiate his exit from the battle with Mr Silvio Berlusconi for control of Mondadori, Italy's largest publishing group, providing he and his allies can retain ownership of the group's main newspaper and magazine titles.

This is understood to be the basis of Mr De Benedetti's response to the attempted mediation now being mounted by Mr Enrico Cuccia, the honorary president of Mediobanca, Italy's most powerful merchant bank.

Mr Cuccia has proposed a negotiation around a division of Mondadori's assets, given the impossibility of Messrs De Benedetti and Berlusconi co-existing as leading shareholders in Mondadori.

Mr Berlusconi, who took over as president of Mondadori on Thursday, is expected to give Mr Cuccia his answer today. He was publicly evasive last week about his readiness to discuss a division of assets, but he knows the

alternative is a long period of uncertainty as he and Mr De Benedetti slug out in the courts the legality of the various share-sale agreements and board decisions that have yielded his first-round victory.

Mr De Benedetti is thought to have tied up around £2,000bn (£1.5bn) in Mondadori's ordinary and privileged stock and, as a result, owns 55 per cent of the group's total capital. However, his minority position in the Amef holding company, which controls 50.3 per cent of Mondadori, has cost him control of the group to the extent that, following last Thursday's shareholders' meeting, he has only two out of 15 directors.

His terms for a settlement would seek to undo the merger agreed last April with the L'Espresso group which took La Repubblica, Italy's joint top-selling newspaper, and L'Espresso, the country's second most important weekly news magazine, into the Mondadori fold. CIR, Mr De

Benedetti's holding company, had been the second-largest shareholder in the L'Espresso group before the merger.

But the Italian financier's ambition also extends to Panorama, Italy's largest-circulation weekly magazine. His allies say that he would be willing to leave this title under Mr Berlusconi's control to sit alongside his three television networks and dedicated to serving political interests. Furthermore, any agreement would have to provide for the placing, at an acceptable price, of CIR's Mondadori holdings.

Mr Berlusconi may be attracted to the Mediobanca proposal - although not to the idea of surrendering Panorama - because he cannot be sure of being able to hang on to its titles. The Government and parliament are under growing pressure to pass restrictive legislation on media concentration and Mr Berlusconi is heading for a confrontation with at least two editors.

## Apple reorganises management

By Louise Kehoe in San Francisco

A SENIOR management shake-up is under way at Apple Computer, where Mr Allan Z. Loren, president of the company's troubled US sales and marketing unit, resigned yesterday. His resignation follows disappointing results at the company, with lower-than-expected domestic sales over the Christmas selling season.

Mr Michael Spindler, who has been president of Apple's European operations for the past two years and is credited with having built Apple's European operations, is to become executive vice president and chief operating officer of the entire company, Apple said. Analysts said the management

changes highlighted the company's need to regain lost US market share by more quickly introducing new low- and high-end versions of its Macintosh computer.

Apple's US division had flat sales in the first fiscal quarter which ended in December, while international sales grew 19 per cent.

Apple stressed that Mr Loren's resignation "was a personal decision." However, the executive, who had been appointed in 1987 with the charter of "introducing discipline" into Apple's US operations, was increasingly unpopular at the company and is reported to have clashed with

other Apple managers on several occasions. Sluggish domestic sales led to infighting in the company's US sales and marketing division, according to analysts.

Apple said that Apple USA, Apple Pacific, Apple Europe, Worldwide Product Marketing and Worldwide Manufacturing would report to Mr Spindler, who would report directly to Mr John Sculley, chairman and chief executive officer.

The company said that Mr Spindler would be acting as president of Apple USA until a replacement for Loren was found. Apple's share price rose 3/4 to \$33 1/2 in early trading.

## FORD SELLAR MORRIS PROPERTIES PLC

|   | 6 months to 31st October 1989 (unaudited) £'000 | 6 months to 31st October 1988 (unaudited) £'000 | 12 months to 30th April 1989 (audited) £'000 |
|---|---|---|--|
| Turnover (excluding VAT)                      | 74,200  | 32,014  | 62,875                                       |
| Profit on Ordinary Activities Before Taxation | 12,019  | 6,837   | 14,146                                       |
| Earnings Per Share                            | 18.10p  | 10.49p  | 25.98p                                       |
| Net Dividend Per Share                        | 2.5p  | 1.5p  | 5.0p   |

- \* Record £12 million pre-tax profit in the first half.
- \* Successful integration of Brookmount.
- \* Reduction in gearing through programmed disposals.
- \* Rental income on an annual basis now running in excess of £10m.
- \* Further significant increases in net asset value indicated by recent Directors' valuation.
- \* Interim dividend of 2.5p per share.

The information relating to the year ended 30th April 1989 is an extract from the latest published accounts which have been delivered to the registrar of companies; the report of the auditors on these accounts was unqualified.

## INTERNATIONAL COMPANIES AND FINANCE

## New chief named as Kelt Energy reports losses of £1.05m

By Clare Pearson in London

MR JOCK Green-Armytage, who made his name as managing director of Guthrie Corporation prior to its takeover by fellow industrial group BBA, has become chief executive and joint chairman of Kelt Energy, the independent UK oil and gas company.

Kelt announced his appointment yesterday at the same time as it unveiled a £1.05m (£1.74m) pre-tax loss for the six months to end-September 1989, compared with \$1.74m in the same period last year, against a profit of \$467,000. This was after a substantially bigger interest payable figure of £3.35m.

Some £13.21m of interest costs were capitalised. The costs reflect Kelt's ambitious, highly-leveraged takeover of fellow oil independent Carless a year ago.

Mr Hubert Perrodo, Kelt's chairman, said: "I hope the appointment of Mr Green-Armytage will improve Kelt's communications with the City."

Mr Green-Armytage presided over Guthrie's reorganisation and return to the London stock market after the Malaysian government investment agency gained control of it in 1981. The Malaysian agency eventually sold its shares to BBA in 1988.

Prior to his role at Guthrie, Mr Green-Armytage was a corporate finance director at NM Rothschild, where he remains

a non-executive director.

Mr Perrodo said he also expected to announce soon the appointment of a finance director. Mr Allsair Locke, who held the post of deputy chairman and fulfilled this role, left the company in December.

"The increase in our production, the oil price and the restructuring in management gives me every confidence for the future," he said.

Mr Perrodo said the company's borrowings fell from about \$260m immediately following the acquisition of Carless to about £170m at the end of the half-year. This was after the disposal of the downstream operations of Carless.

The balance of the debt was converted from sterling to dollars last October. Mr Perrodo said Kelt was negotiating with the lenders, American Express Bank, about a rescheduling. Repayment is currently due in two instalments, in April and June this year.

He said he was confident the full oil potential of the Wyth Farm onshore oil field would be achieved by the end of the second quarter of 1990.

Included in the capitalised interest figure was some \$3.45m attributable to investment in the Carless downstream businesses. Turnover during the period was £11.77m, compared with last year's £2.81m. The loss per share was 0.4p (against earnings of 0.06p).

## Why West German grocer eyes UK profit margins

Haig Simonian meets Erivan Haub, Tengelmann's reclusive, security-conscious millionaire owner

Mr Erivan Haub, reputedly the richest man in West Germany, takes security seriously. Once a year - most recently last month in a secluded retreat better suited to debriefing an Eastern bloc agent than meeting the press - he makes his appearance before the cameras.

Mr Haub's message is brief. Consolidated sales at Tengelmann, the food retailing group his family founded in 1867, rose to DM37.2bn (\$23m) in the 1988-89 year ended June 30, making it one of the world's biggest stores groups. Profits remain robust, but, as sole owner, Mr Haub is not believed to be going hungry.

Keeping a low profile is commonplace among top German retailers, a number of which are still privately owned. Bashfulness has been compounded by crime, the 1971 kidnapping of Mr Haub's son, Otto, who was later found dead.

Mr Haub has not given an interview for the past decade. Meanwhile Mr Otto, who owns Metro, the cash and carry chain best known for its Kaufhof department stores, keeps his distance from kidnappers and journalists alike in his Swiss redoubt.

Despite his stress on security, Mr Haub, who now lives mainly in the US, may have to become more public. Stuck with low margins and declining profitability from its 3,501 stores at home, Tengelmann is becoming increasingly international.

Foreign sales, which amounted to DM21.6bn last year, already account for more than half its turnover. Much of that came from A&P, the ailing US supermarkets group in which Tengelmann bought its first stake in 1973, and which has turned into a major money-spinner since.

Tengelmann's foreign activities have grown fast. In Holland and Austria it already owns the Hermans and Löwa supermarket chains respectively. Last year it took minority stakes in Superal, an Italian supermarket group, and, in its first major push into Eastern Europe, Skala Co op of Hungary. And it is already dipping its toes in France.

But it was last summer's £2bn (\$3.3bn) contested bid for Gateway, the UK food retailer, which pushed the German company furthest into the limelight as far as the City of London was concerned. Despite Mr Haub's ultimate failure in the bid, which was conducted through A&P rather than Tengelmann itself, his interest in the UK has not diminished.

The reasons are simple. While German food retailers consider themselves lucky to make an after-tax return of 1 per cent on their sales, net earnings in the UK are around 6 to 8 per cent. "That's an unbelievable size compared with Germany," says Mr Haub.

"British shoppers are willing to pay for quality and service," he notes. Thus rather than selling its Gateway stake, A&P bucked City practice and

instead took 20 per cent of Isosceles' shares and 40 per cent of its voting rights. Mr Haub now claims to be pleased the Gateway bid failed. The pound has fallen heavily against the D-Mark, UK interest rates have soared, while the country's economic climate has soured. Moreover, A&P managed to swap its Gateway shares into Isosceles stock at a "very fair price," he says.

So the plan is to hang on in the hope of eventually gaining control of Isosceles, the UK consortium which bought out Gateway. "We must wait to see what comes of this participation. We think one day we may be able to reach more favourable conditions," says Mr Haub.

"This strategic breakthrough in England is worth it." For even after the £700m sale of Gateway's hypermarkets - the most attractive part of the package - to Asda, Isosceles remains ailing.

While additional small disposals will further reduce Isosceles' overall borrowing, its remaining stores, which include 10,000-13,000 sq feet units, "will be a very interesting nucleus," for a future UK business, according to Mr Haub.

Moreover, financing has been relatively cheap. The cost of the Isosceles stake is just \$125m in A&P's books, while the interest charge is hardly crippling on a quarterly basis. And he is proud that the total fees A&P paid to its advisers were considerably below Isosceles' huge bill. "We had a more profitable arrangement." Breaking into higher-margin



Erivan Haub: making very good money in the US

markets like the UK will be essential if Tengelmann is to reverse the decline in its domestic earnings. A leaked document shows just how dramatic the drop has been. From DM224m in 1983-84, operating profits are believed to have fallen to DM175m in 1988-89 after a brief revival in the two previous years.

The revelation of such close-guarded figures has caused deep embarrassment at Tengelmann. But despite objections to some of the details, which were taken "out of context" according to Mr Haub, the company concedes the figures are not far off beam.

Mr Haub admits that the development of profits is "no longer as good as it has been in

other years" - a trend he expects to continue. But he attributes the volatility in earnings as much to investment policy as to the increasingly competitive German marketplace.

"If we didn't open any new stores, our profits would shoot up," he says. Tengelmann plans to keep the investment tap full on. Last year it poured some DM351m into its domestic stores - almost 80 per cent up on the previous year and well ahead of depreciation.

The company has embarked on a heavy restructuring programme, closing smaller units in favour of larger stores. Last year 500 new shops were opened, against 300 closures, resulting in a 6.6 per cent rise in its domestic sales area.

Acquisitions will remain the second source of domestic growth. Last year it purchased two chains in the Stuttgart and Cologne regions.

But both forms of domestic expansion face hefty constraints. German zoning laws impose stringent limits on new supermarkets, particularly the out-of-town hypermarkets which most retailers want to build. The law now restricts new developments to 1,000 square metres - and just 600 square metres in Bavaria.

Meanwhile, takeovers are limited by very tough cartel rules. Tengelmann's planned acquisition of Gottlieb, a Freiburg-based chain with sales of DM600m, collapsed after 18 months of talks when the owners refused to lower the price to reflect the disposals Tengelmann would have had to make

in order to meet cartel requirements.

The upshot is to sharpen the focus abroad. The minority share in Superal, which had sales of about DM660m last year, is probably a first step to a bigger presence in northern Italy. "Though only a minority stake at present we have the happy hope we will reach a majority," says Mr Haub.

And the 21 per cent holding in Skala Co op, which had a turnover of some DM1bn last year, could lead to bigger things in Eastern Europe too. "We have a healthy chance to become increasingly active in the Eastern bloc in the next decade," both as a buyer and a seller, he says.

Meanwhile, Tengelmann's existing foreign operations are ploughing back their profits to expand. Both Hermans and Löwa are not paying dividends to their parent company in favour of reinvesting their earnings. Likewise at A&P, as far as Tengelmann's 52.5 per cent stake is concerned.

Last year the US group bought a sizeable Detroit supermarket chain. Further acquisitions appear inevitable on the back of its booming profitability. Net profits in the first half of this year leaped 20 per cent to \$51m, or \$2.12 a share, while turnover rose by 13 per cent to \$6.63bn.

"We make very good money in the US. More than we could or should expect," says Mr Haub. Given the outlook in Germany, it is a lesson he would like to repeat elsewhere.

## HBG in negotiations for private electrical installer

HOLLANDSCHE Beton Groep (HBG), the Dutch construction and civil engineering company, is negotiating to acquire all the shares of Ergon Holding, a privately held UK installer of electrical equipment, AP-DJ reports.

HBG said the move would allow it to enter the installation market in the Netherlands. Currently, HBG subcontract electrical installation work on its Dutch projects.

The amount of money involved in the transaction was not disclosed.

Ergon Holdings employs 500 people and had revenues of approximately £24m in 1989. The company has offices in Zoeterwoude, Rotterdam, Amsterdam, Almere and Assen. In 1988, the latest year for which financial results are available, HBG had revenues of £13.02bn (\$1.58bn).

The acquisition falls in line with HBG's stated strategy of expanding aggressively into European markets prior to the planned integration of the European Community by the end of 1992.

## ABC Bank returns to the black

By Karen Fosell in Oslo

ABC BANK, Norway's largest savings bank, said yesterday preliminary figures for 1989 show it returned to the black with net profits estimated at Nkr240m (\$36.75m) against a loss of Nkr670m in 1988.

Better performance was helped by a Nkr410m cut to Nkr560m in losses on loans and guarantees, a radical reorganisation and cost-cutting.

The bank's operating profit, before losses on loans and guarantees, more than doubled to Nkr805m from Nkr350m in 1988.

Mr Jan Risoer, an ABC executive, explained that, in all, the bank reduced staff by 550 to 2,005 while achieving a 20 per cent increase in productivity. In addition, operational costs were cut by Nkr110m.

Total assets were reduced by Nkr68m to Nkr422m, primarily in bond holdings. At year-end the bank had capital of Nkr2.6bn.

Mr Risoer noted that work was well under way for a planned merger between ABC and five other smaller Norwegian savings banks. This would

allow a goal of completion by October to be met.

ABC, which is called the Union Bank of Norway in international operations, may see a name change after completion of the merger.

The new bank will have Nkr90bn in assets, and will serve 1m customers. Internationally it will be represented in New York, Stockholm, Copenhagen, Helsinki, Luxembourg and London. Mr Kjell Krau, managing director of ABC, will retain this position in the new bank.

## Dresdner Bank bid defence blow

A WEST German district court yesterday struck down an anti-takeover measure introduced by Dresdner Bank, the big German banking group, last year, AP-DJ reports.

The state court in Frankfurt said it has accepted the appeal of a small shareholder and declared Dresdner Bank's so-called conditional voting-right limitation invalid.

It was the first successful legal challenge against voting-right limitations, a popular but controversial takeover defence instrument used by West German companies.

## Ascom's sales jump 10%

ASCOM HOLDING, the Swiss telecommunications group, said consolidated group sales in 1989 jumped 10 per cent to SF2.64bn (\$1.76bn) from SF2.4bn in the previous year, AP-DJ reports.

The company, in a letter to shareholders, also said net profit in 1989 should match the previous year's SF49.2m, "despite significant restructuring costs."

Foreign sales, meanwhile, increased as a percentage of total group sales to 38 per cent in 1989 from 30 per cent the previous year, and for the first time reached SF1bn, the company said.

The bulk of the rise in group sales in 1989 could be attributed to internal growth, the company added.

Ascom also expects sales in 1990 to expand at a rate of around 10 per cent.

Group orders surged 20 per cent in 1989 to SF2.83bn from SF2.40bn. The company said all its divisions experienced increases in orders.

Ascom in December announced that it had restructured its businesses into five divisions, with the aim of making the company's operations more market-oriented and speeding up decision-making.

## "Give me a lever, and I can move the world."

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A large claim? Well, in the past year alone, our European teams have contributed to the success of leveraged corporate transactions in eight countries, with a total value of over \$4.5 billion.

Clearly, word is getting around that Continental Bank has a

good deal to offer. If you'd like a word with us yourself, call Gregg Egen in London on (441) 860 5143; Andrea Negri in Milan on (392) 6251; Patrick Pera in Paris on (331) 42684747; or Paul De Ridder in Frankfurt on (49-69) 710010. You'll find that any one of them will move heaven and earth to help you.

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## INTERNATIONAL COMPANIES AND FINANCE

## A tough climb up India's corporate ladder

Gita Piramal surveys attempts by the Ambanis to retain control of Larsen &amp; Toubro

THE AMBANIS, whose Reliance group became India's third biggest business house after the October 1988 takeover of Larsen & Toubro (L&T), are fighting to retain their control over this premier engineering company in the face of government and court challenges.

Mr. Madhu Dandavate, Finance Minister, has declared that according to the newly elected National Front government the takeover should be reversed and that the company which has annual sales of Rs10,500m (\$638.82m) should be run not by the Ambanis but by a group of professional managers.

The Ambanis acquired L&T through collusion and manipulation, the minister alleged in an interview. "Prima facie analysis indicates that there was an effort to corner L&T shares in collusion with the financial institutions," he added. "This cannot be allowed. L&T must revert to becoming an independent, professionally run company."

Reliance, headed by Mr. Dhirubhai Ambani, has offered to return a 7 per cent block of shares in L&T which is at the centre of the dispute, but this represents only a portion of its total holding which, it says, is more than 25 per cent.

A Reliance official went on to argue that "even after the

takeover L&T remains a professionally run company. The Ambanis are not involved in day-to-day management. L&T's managing director, Mr. U.V. Rao, is a highly qualified professional manager with 28 years of experience."

The managing director's position has, however, become another point of controversy. During the past few months, L&T has acquired not only a managing director and chief executive, but also a joint managing director and even a managing director and president. The reshuffling of designations is widely perceived as an attempt by the Ambanis to soothe ruffled executive feathers within L&T while making management appointments from the ranks of their own supporters.

## The reshuffling is perceived as an attempt to soothe ruffled executive feathers at L&amp;T

One possibility is that the financial institutions may ask for greater representation on the 19-member L&T board and then use their presence to oust the Ambanis. Currently, three directors represent Unit Trust



Dhirubhai Ambani offered to return a block of shares

of India, the Life Insurance Corporation and the General Insurance Corporation. Collectively the three institutions hold 34 per cent of L&T's equity.

There are four directors from the Reliance group on the L&T board: three members of the Ambani family and Mr. M.L. Bhakta, a chartered accountant. On January 2 the Ambanis succeeded in persuading Mr. Henning Holck-Larsen, aged 82, one of the founders of the company, to become chairman emeritus. Mr. Holck-Larsen is respected within the Indian business community, and his tacit endorsement of the Ambanis has strengthened

their position.

At the same time, legal hurdles loom for the Ambanis. A writ petition filed in the Supreme Court of India by a L&T shareholder and a Delhi advocate challenging several aspects of a Rs4.2bn bond issue launched last September is due to come up for hearing after several adjournments.

The case, which is attracting heavy publicity, is likely to drag on for months if not years.

Mr. Mahesh Jethmalani, counsel for the petitioners, has made an offer to settle the affair by saying that if the Ambanis "face the shareholders by holding an extraordinary general meeting, and if the shareholders ratify the Ambanis' presence on the L&T board, we are quite willing to

## The case, which is attracting heavy publicity, is likely to drag on for months if not years

withdraw the case." The government is examining its own options. According to the minister, "Until the supreme court passes a judgement, we cannot take legal measures. But we are not pre-

vented from taking certain administrative actions."

In one such action, the Finance Ministry has already directed Mr. Premjit Singh, chairman of the local Bank of Baroda, to take leave from his job. Bank of Baroda, through its BOB Fiscal Services subsidiary, sold the Ambanis the disputed 7 per cent block of shares, which had been accumulated through purchases from several financial institutions.

Under Indian company law, institutions cannot place shares directly with the private sector, but must sell them through the market. Government officials have been quick to pick up the new political signals. The Controller of Capital Issues (CCI) has written to the Ambanis asking for details on how funds raised from the Indian capital market by the Reliance group have been used. Under the former Congress administration, the CCI had given a speedy clearance to L&T's controversial bond issue.

Festive fighters, the Ambanis have been in many tough spots in their climb up India's corporate ladder. The battle for L&T is far from resolved, but one early casualty has been the L&T share price. From more than Rs100 it has dropped to Rs70 during the preliminary skirmishes.

## Koor's creditors in Jerusalem for talks aimed at settlement

By Hugh Carnegie in Jerusalem

THEY FAILED in New York, they failed in London and they failed in Tel Aviv.

Now Mr. Shimon Peres, the Israeli Finance Minister, is hoping that in Jerusalem, within a mile or so of the Wailing Wall and the city's other holy places, the domestic and foreign creditors of Koor Industries will see the light and agree on how to solve the group's billion-dollar debts.

Given the painful course of the last 15 months, since the trade union-owned Koor first faced a liquidation suit by Bankers Trust of New York, optimism may be misplaced.

Mr. Peres has called today's meeting, the most conspicuous Government intervention in the saga to date — in an effort to reach a settlement at last to allow Koor, which employs more than 20,000 people, to survive.

With timing of more than symbolic pertinence, the meeting coincides with the expiry of a 90-day grace period allowed for the payment of a missed bi-annual interest tranche due on \$105m of bonds issued in the US by Koor through Drexel Burnham Lambert.

Yesterday, there was no sign that Koor was any more in a position to meet the obligation

than it was a month ago. The group has suspended all interest and principal payments on all its debts since the beginning of the year.

In that time, much heat has been generated as Koor's slide towards the brink seemed to accelerate sharply.

Most spectacular of all, two bids were made by foreign investors to acquire a majority stake in Israel's largest industrial group and stalwart of the powerful trade union sector.

The offers, from Mr. Roy Disney's Shamrock Investment company and the Belsberg brothers of Canada, have now slipped into the background as the realisation dawned that neither offered a short-cut around the essential problem of satisfying Koor's creditors.

It seems everyone is now awaiting the outcome of the meeting in Jerusalem before taking any precipitate action. The foreign creditor banks, led by Manufacturers Hanover, whose total exposure to Koor is about \$300m, say their request for advance notice of Israeli proposals has not been met. They are clearly wary of an attempted Israeli fait accompli, of which there has been more than a hint.

This concern stems from the

knowledge that the Israeli banks, led by the Histadrut-owned Bank Hapoalim and with exposure of some \$700m, have agreed in principle to a package which is also backed by Hevrat Ha'ovdim, the Histadrut's holding company, and albeit less explicitly, by the Government.

This proposes write-offs in the region of 30 per cent of the exposure of the domestic and foreign banks, the handover by the Histadrut of Koor equity options to the banks and other assets to the Government, and the provision of government financial backing to Koor of a total of \$150m.

All Israeli parties dismiss as unrealistic the position of the foreign creditors that a tough operational restructuring by Koor would avoid the need at least for large-scale write-offs.

But the foreign banks are equally insistent that basing a solution on debt forgiveness does not address the heart of the problem.

"Maybe there is a need for some of the debt to be written off," said one participant. "But a write-off to sort out the balance sheet problem without trying to fix the company is the sound of one hand clapping."

LVMH  
MOËT HENNESSY . LOUIS VUITTON  
PRELIMINARY 1989 SALES

LVMH Moët Hennessy Louis Vuitton announced 1989 preliminary consolidated net sales of FF 19.7 billion, an increase of 19.6 % over the 1988 level. On a constant exchange rate basis, net sales would have increased by 17.2 %, in line with forecasts.

| Segment<br>in millions of FF            | 1988   | 1989   | %<br>change |
|---|--------|--------|-------------|
| Champagne & wines                       | 4,876  | 5,171  | + 6.0 %     |
| Cognac & spirits                        | 4,083  | 5,066  | + 24.1 %    |
| Luggage, leather goods<br>& accessories | 3,530  | 4,699  | + 33.1 %    |
| Perfumes & beauty products              | 3,735  | 4,479  | + 19.9 %    |
| Horticulture                            | 218    | 249    | + 14.2 %    |
| Total                                   | 16,442 | 19,664 | + 19.6 %    |

In the Champagne and wines segment, the increase in sales on a comparable structural basis would have been 8.6 %, reflecting a 1 % increase in champagne sales volume and a significant rise in selling prices.

In the Cognac and spirits segment, the 24.1 % increase in sales results from an 8 % growth in sales volume combined with a strong increase in sales of older qualities.

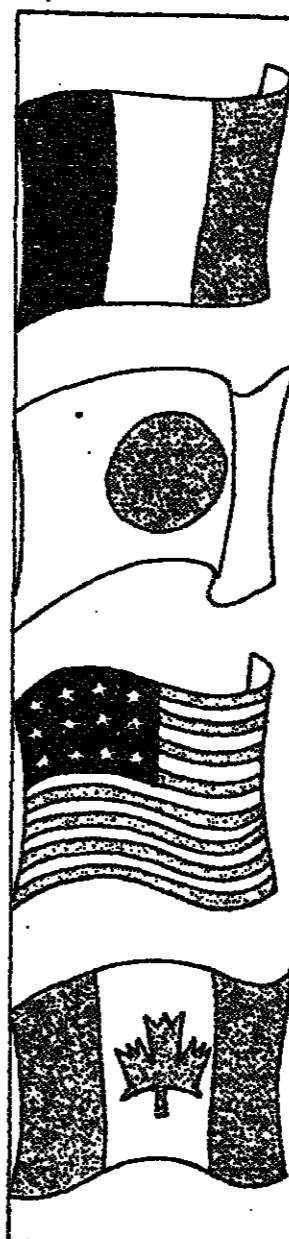
In the Luggage, leather goods and accessories segment, Louis Vuitton Malletier recorded a 32.7 % growth in sales in 1989, reflecting a 28 % increase in volume; same-store sales grew by 20 %.

Finally, in the Perfumes and beauty products segment, total sales rose by 19.9 %, with growth evenly spread among the three companies of the segment. Parfums Christian Dior, Parfums Givenchy and Roc. The year was marked by the launch of Dior's Fahrenheit men's cologne in Asia and North America and the introduction by Givenchy of a makeup and a skincare line.

Based on preliminary indications, LVMH net income for 1989 is expected to show an increase of more than 45 %.

January 1990  
Société Générale opens a brokerage firm in Montreal.

Société Générale  
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network  
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## INTERNATIONAL COMPANIES AND FINANCE

## Black & Decker in red despite 60% sales climb

By Karen Zagor in New York

BLACK & Decker, the US power tool and appliance company, yesterday reported a loss in the quarter ended December 31 as results continue to reflect the cost of absorbing the Emhart plumbing equipment and carpentry business, acquired for \$2.8bn last year.

For the three months ended December 31 the company reported a loss of \$3.2m or 5 cents a share from net income of \$38m or 65 cents a year earlier. This was in spite of a 60 per cent increase in sales to \$1.1bn from \$705.5m.

The loss in the recent quarter was attributed to increased interest expense and goodwill amortisation related to the Emhart acquisition.

Black & Decker, which is based in Towson, Maryland, has changed its fiscal year end to December 31 from the last Sunday in September. It said the recent quarter constituted a "stub" period.

Operating income in the latest quarter leapt 80 per cent to \$16m.

The company attributed the growth to the Emhart acquisition and to the strength of existing Black & Decker businesses, which reported

double-digit operating income growth in the three months.

Foreign exchange losses in the recent quarter were \$15.4m, primarily from Brazilian operations.

Mr Nolan Archibald, chief executive, said: "While many other companies are reporting lower profits, Black & Decker's operations remain healthy and are entering the 1990s with strong momentum."

He said the company's results had improved steadily since the Emhart acquisition, from a loss of 49 cents a share in the September quarter to, essentially, a break-even result in the latest period. The company was moving towards its goal of reducing debt by \$1bn.

Last week Black & Decker sold its Bostik adhesive business to a French chemical company, a sale expected to yield about \$345m gross.

The company said yesterday that it would sell its footwear materials business for about \$125m in cash to United Machinery Group. It also plans to sell its capacitors business, excluding the US segment, for about \$80m in cash to Nissei Electric.

## Citicorp buys credit card arm of BNE

By Anatole Kaletsky in New York

BANK OF NEW ENGLAND, the troubled Boston-based bank which recently announced \$1.5bn in property losses, yesterday sold its credit card business to Citicorp, the largest US bank, for \$523m.

The credit card business had been put on the auction block two weeks ago after Bank of New England disclosed its disastrous results for the fourth quarter. The bank made a net loss of \$1.3bn, reducing its shareholders funds to less than \$500m, a very thin margin of capital to support aggregate assets of \$29bn.

Immediately after announcing its bad results the bank reached an agreement with Federal regulators, requiring the rapid disposal of at least \$6bn of assets.

The asset sales did not seem sufficient to reassure wholesale depositors and the bank was forced to borrow more than \$450m from the Federal Reserve Bank of Boston's discount window last week.

Assuming the deposit outflow can be checked this week, the proceeds from the bank's assets sales are likely to be used in large part to repay the Fed borrowing.

Given the forced nature of Bank of New England's asset sales, the price commanded by its credit card business appeared to be a good one. The \$523m to be paid by Citicorp will be \$176m above the book value. The total value of the receivables to be transferred will be \$670m.

Citicorp is also acquiring BNE's processing services which deal with 590,000 accounts. For Citicorp, the deal seems an attractive one since it will further strengthen its dominant position in the US credit card business.

Citicorp, with 23m credit card accounts, enjoys a commanding market share, both in card processing and in the rapidly expanding business of financing and securitising credit card receivables.

The bank's management have said it sees credit cards as one of the most promising growth sectors in US domestic banking.

## New chairman banks on change of course

Bernard Simon describes a challenge facing the man at the top of Bank of Montreal

On the day he took over as Bank of Montreal chairman earlier this month, Mr Matthew Barrett told the annual meeting his "absolute top priority" was to give the bank's 34,000 employees "a greater sense of their fundamental importance to the achievement of the bank's goals."

His words reflect the pressing need to put a gentler face on Canada's third biggest bank, while getting the staff accustomed to some changes in direction.

Mr Barrett's appointment marks the end of 11 turbulent years which the bank had experienced under the iron rod of Mr William Mulholland.

Mr Mulholland was respected for his business acumen, but his domineering style — his nicknames included God and King William — drove many talented executives away from the bank and frustrated those who remained.

With the largest Third World loan exposure among Canada's big six banks, financial performance has also lagged its competitors in recent years. At the same time, the bank, in common with its Canadian cousins, is transforming itself from a global institution to a bank with its eyes firmly on North America.

Its offshore operations now focus on taking care of the needs of its Canadian and US

customers and serving businesses with North American interests.

"It's very much a conduit to our North American base, rather than chasing local business," Mr Barrett said in an interview.

Offices have been closed in several countries and the capital markets operation in London has been folded into the local office of its 75 per cent-owned Canadian securities subsidiary, Nesbitt Thomson.

Lending to large companies is being concentrated on a few selected sectors, such as energy, real estate and financial institutions.

The other side of the coin is that Mr Barrett aims to boost the contribution of US business from about 25 per cent of 1989 earnings to 50 per cent of the total.

The bank earned C\$646m (US\$547m) from operations in the year to October 31, 1989, but a C\$650m provision on its C\$4.6bn Third World loan portfolio brought net income down to C\$51m, a return on assets of only 0.06 per cent.

It has now provided for 61 per cent of its Third World loans. Assets stood at C\$76.9bn at the end of fiscal 1989.

Just over half last year's US earnings came from Harris Bankcorp, the Chicago bank



Matthew Barrett trying to break with the past

whose acquisition by in 1984 is widely seen as Mr Mulholland's most far-sighted move. With assets of US\$12.4bn, Harris is the third biggest bank in the Chicago area.

It has a strong trust business in various parts of the country, and has bought several small but highly profitable community banks in the Chicago suburbs.

Mr Barrett spends at least one day each month with Harris executives, and is moving towards closer co-ordination of the two banks' strategic plans.

He is confident his bank can apply in the US some of the expertise it has gained running 1,200 branches and 1,000 auto-

mated teller machines in Canada. To achieve the aim of 50 per cent of earnings coming from the US, Mr Barrett says "probably, we'll need to do further acquisitions."

Mr Mike Sammon, a banking analyst at Chicago Corporation, says "Harris is surrounded by states that have attractive franchises," such as Michigan, Indiana, Wisconsin and Iowa, which is presently in the process of liberalising its bank ownership laws. Harris is also planning to broaden its business.

On the retail side, the community banks can be used as conduits for its trust expertise. The bank is trying to appeal to a wider spectrum of mid-sized corporate customers, partly through its highly-regarded cash management services.

Analysts caution that the price tag for an acquisition, especially in the Chicago area, may be high.

Mr Joseph LaManna, analyst at Chicago securities firm William Blair & Co, estimates prices for the 15 Illinois banks with assets of more than US\$350m that have been bought in the past three years have been an average 2.4 times book value and 15 times earnings.

Bank of Montreal bought Harris for only 1.3 times book value. The more immediate challenge for Mr Barrett is to improve employee morale at

the bank. Aged 45, he is clearly trying to break with the past. In a barely-disguised criticism of Mr Mulholland's management style, the more relaxed Mr Barrett notes "the notion that the chairman can be the person who can think for everybody and direct everybody is a little passé."

Among his first moves after he became chief executive last July was to take the senior management group away for a three-day session at a country inn near Toronto to sow the seeds of a new strategic plan.

Since then, the group has met for a full day each month. A newly-formed operating committee gets together for 4-5 hours each Monday afternoon.

The new plan is due to be unveiled within the next month or so.

Two new vice-chairmen, one aged 40 and the other 44, have been appointed to improve co-ordination among different parts of the bank.

One will oversee all the bank's business involving individuals and small businesses, the other will concentrate on the corporate and institutional side. Mr Barrett acknowledges the new emphasis on collegiality means decision-making takes longer these days than it used to. He asserts, "what you lose in the front-end, you gain in implementation."

## Modest quarterly rise at Marsh & McLennan

By Anatole Kaletsky

MARSH & McLennan, the leading US insurance broking and business services firm, reported a modest advance in net income and revenues in the fourth quarter, but virtually no change for 1989 as a whole.

The company made net profits of \$62m or 77 cents a share in the fourth quarter, up 8.4 per cent from the year earlier result of \$51m or 71 cents. Its quarterly revenues were 9 per cent higher at \$592m.

In 1989 as a whole, net income totalled \$236m or \$4.10 a share, compared with \$236m or \$4.09 a year ago. The year's revenues were 4 per cent up at \$2.4bn.

The company's results were

closely in line with market expectations and its share price increased by 5/8 to \$75 1/4.

In addition to companies which operate under its own name, Marsh & McLennan owns the C.T. Bowring insurance broking business in London Guy Carpenter, the biggest reinsurer in the US.

It also has subsidiaries which operate in investment services, employee benefits consultancy and corporate strategy work.

Insurance services provide about 60 per cent of Marsh & McLennan's business, consulting about 30 per cent and investment management about 10 per cent.

## Colgate to pay \$172m for Bristol-Myers units

By Alan Friedman in New York

COLGATE-PALMOLIVE, the third biggest US maker of household and personal care consumer products, is to acquire for \$172m the Canadian bleach and fabric softener businesses owned by Bristol-Myers Squibb, the recently merged US drug company.

The Canadian businesses, consisting of Javex, the bleach product, and Fleecy, the popular fabric softener, employ a workforce of 608 people at six plants and have annual sales of about \$100m (US\$84m).

The purchase of the divisions, which were Bristol-Myers' only laundry care businesses, will double the Canadian revenues of Colgate-Pal-

moive, which are derived mainly from the toothpaste and detergents sectors.

Bristol-Myers Squibb, which last week reported a \$63m net loss for the 1989 fourth quarter, including a \$69m after-tax charge related to its merger, insisted yesterday that the disposal of the Canadian divisions had nothing to do with the merger.

"The company felt these businesses did not fit into our business portfolio," a spokeswoman said.

Colgate-Palmoive, which has annual worldwide sales of about \$5bn, sells bleach in 15 countries and fabric softeners in 32 markets.

## Canadian pulp group tumbles

By Bernard Simon in Toronto

A STRONG Canadian dollar and lower pulp and paper earnings contributed to a one-third drop in earnings last year at Fletcher Challenge Canada, the Vancouver-based forest products company 71 per cent owned by New Zealand's Fletcher Challenge.

FCC's net earnings were C\$120m (\$100.8m) or C\$2.01 per share last year, down from C\$180.2m or C\$3.08 in 1988. After extraordinary charges for restructuring and the write-down of an investment in an Alberta sawmill, earnings fell by almost half to C\$26.2m from C\$182.2m. Sales slipped to C\$1.4bn from C\$1.47bn.

The company's problems were especially apparent in the fourth quarter, when earnings

before extraordinary items tumbled to C\$19.9m or 34 cents from C\$45.8m or 78 cents.

More than C\$25m of last year's drop in earnings was caused by the strength of the Canadian dollar, which climbed from an average of \$1.24 US cents in 1988 to a peak of almost \$7 US cents last December.

The fall in pulp and paper earnings was due to lower newsprint prices, as well as interruptions at mills in British Columbia and Minnesota.

FCC said that income was further depressed by low prices for wood products.

Mr Ian Donald, chief executive, forecast that 1990 would be "a year of difficult market conditions." But he said the

company's output of lightweight coated paper should be "significantly" higher this year.

Tembec, Canada's largest special pulp producer, felt the impact of lower prices for fluff pulps in the first quarter, but other soft wood pulp remained in strong demand, Robert Gibbons adds from Montreal.

Earnings were C\$6.1m or 39 cents a share, down from C\$7.5m or 49 cents on sales of C\$67.8m against C\$69.8m.

The company warns that, with a slower North American economy and the current high level of the Canadian dollar, full-year profits could decline by 25 per cent against fiscal 1989.

## ELECTRONIC PAYMENT SYSTEMS

The Financial Times proposes to publish this survey on:

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Meyrick Simmonds  
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## CMI hit by low demand for stainless steel

FALLING international demand for stainless steel led to a sharp reduction in the sales and profits of Consolidated Metallurgical Industries (CMI), the South African ferrochrome producer, in the six months to December, writes Jim Jones from Johannesburg.

Steelmakers who had stocked up heavily on ferrochrome cut purchases and destroyed as their customers

delayed purchases of stainless in anticipation of lower prices. The company recently increased its annual ferrochrome production capacity to 200,000 tonnes from 150,000 tonnes.

CMI's interim turnover was reduced to R128.7m (\$50.2m) from R142m and pre-tax profit was R67.2m against R74.2m.

Mr Barry Davison, managing director, said volume sales

dropped by 26 per cent but he added the average selling price exceeded that of the corresponding period in 1988, even though dollar prices of ferrochrome fell sharply in 1989's third and fourth quarters.

Prices had been increased sharply in the first two quarters of calendar 1989.

Mr Davison warned that selling prices had fallen further since the start of 1990 and that

sales during the current half year were unlikely to match those of the corresponding 1989 period.

A lower tax bill this time resulted in an increase in net earnings of 107 cents a share from 101 cents. The interim dividend has been maintained at 35 cents.

The last financial year's full earnings were 237 cents and the year's dividend 115 cents.

## Predators close in on feuding Gallimard

Family disunity threatens a French publisher, writes George Graham

Like sharks drawn by the smell of blood, the predators are clustering hungrily around the fraternal feud between Antoine and Christian Gallimard, sons of the distinguished French publishing dynasty.

Gallimard, the last big independent publisher in France, is attracting the attention of every leading publisher in the world, anxious to see if the battle will result in the company coming out of the market.

Even without the suggestion of a quarrel, the Martells in Cognac or the Proust woolens clan found the pressure to sell out from their family businesses irresistible. When families fall out, as happened at Grand Mousins de Paris, the end is quicker.

Ms Françoise Gallimard, sister of Christian and Antoine, decided last week that the feud had gone on long enough. She announced she had hired an investment bank to value her stake in the company and was willing to sell out, on condition that either Christian or Antoine took full control.

Christian was the choice of his grandfather, Gaston, who founded the publishing company in 1911. Gaston thought little of his son Claude, but the son he had chosen to take over

was killed in a car crash with Albert Camus, the author, in 1960.

After Gaston's death, however, Claude sacked his elder son as managing director and put Antoine in his place.

Françoise and her sister Isabelle, who appears to have stayed out of the quarrel, both work at Gallimard, but Christian is now a publisher in Switzerland.

Each of Claude's four children originally held 12.5 per cent of the company, but Claude has sold more shares to Antoine on terms which the other children contest.

Eighteen per cent of the shares are outside the family's control, mostly in the hands of Mrs Muriel Toso, a family friend who also sits on Gallimard's board.

Gallimard has one of France's most prestigious stables of authors, and a glittering backlist of French literary greats: Marcel Proust has just gone out of copyright, but Antoine de Saint-Exupéry, Albert Camus and Jean-Paul Sartre continue to provide a steady flow of earnings.

"Gaston took 80 per cent of the cream in a particularly rich period for French literature," commented one rival publisher.

The company is not resting on its laurels, however. Gallimard's cream and red spines continue to decorate every well-dressed Parisian bookshelf, besides dominating, along with rival publishers Grasset and Seuil, the Prix Goncourt, France's most important literary award. It is also recognised by many as having the best children's publishing division in France.

Gallimard reported parent company net profits of FF2.4m (\$1.9m) on turnover of FF496.6m in the year to end February 1989, the latest for which accounts can be obtained. The previous year it reported a net loss of FF12.64m.

Some of the family shareholders, however, have complained the company has sought to minimise profits to reduce dividends.

Henry Ansbacher, the investment bank hired by Françoise Gallimard, estimates the value of the company at about FF1.55bn - FF1.5m based on the average multiple of annual revenues used in other recent sales of publishers plus FF250m, or half the estimated value of Gallimard's extensive property portfolio.

Some publishers say it would

be easy to find a buyer ready to pay considerably more.

But if the company thrives, the family does not. Friends say they have never come across a family with so little mutual affection.

"My brothers fight terribly. They will not speak to each other, and my father does not see Christian any more," Françoise said.

She is afraid that her brother Antoine, who speaks for 33 per cent of Gallimard's shares compared with 12.5 per cent for each of his siblings, will try to buy them out on the cheap. She wants either Christian to find a financially powerful partner so they can offer a respectable price.

"Too much time has been lost in arguments and disputes within the family, and the company has begun to suffer. Either one of my brothers with substantial outside financing or with a major outside entity should acquire the shares of the company," she said.

Antoine said he was ready to buy his sister's stake to keep it in family hands, although he would have to find partners to pay for it.

"We do not want to break up this magnificent firm founded by my grandfather," he said.

## TRANSPORT LINKS WITH THE CONTINENT

The Financial Times proposes to publish this survey on:

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## INTERNATIONAL CAPITAL MARKETS

## British Gas fixed price reoffering livens dull day

By Deborah Hargreaves

THE debate on fixed price reoffering in the British market was reopened yesterday after Baring Bros launched a deal for British Gas, amid a languid day for

trading at a level of less 1.75 to less 1.80 when the syndicate broke at 3pm yesterday afternoon.

Baring says it bought one block of bonds back from a syndicate member, but declines to specify how many bonds it bought.

The British Gas issue does not appear to have been hurt by the appearance of lower bids, but the issue is likely to spark continued debate over syndicate discipline in fixed price reofferings.

In spite of a return of some optimism to the European government bond markets yesterday, new issue activity in the Eurobond market was slow, with investors steering clear of international bonds.

The planned launch today by Salomon Bros of a \$300m eight-year issue for Mitsui Toatsu Chemical should give a fillip to the Eurobond market. It will make Salomon the first to lead the market in a dollar-denominated equity warrant issue for a Japanese company.

The issue comes at an interesting time for the equity warrants market, since most houses fear that the Ministry of Finance is trying to bring regulation of the market back to Japan.

Nomura also plans to launch its part of the Mitsui deal. This is expected to be a domestic convertible and a \$300m four-year equity warrant.

S.G. Warburg Sotidic launched a \$100m Eurobond for Control Securities Finance last week. This was shown in yesterday's table as DM100m.

Pioneer Electronic is to issue 12m new shares in overseas markets, excluding the US, through a public placement with Nomura International as lead manager.

The shares are to be issued at 97 per cent of the closing price of the share in Tokyo on February 6. Payment is due by February 14. If the shares fall below ¥5.145, Nomura will suspend the issue.

The shares will be used by Pioneer for capital spending and to finance subsidiaries. Pioneer shares are currently trading at about ¥6.60.

## INTERNATIONAL BONDS

the market as a whole.

The eleven five-year issue for British Gas was brought yesterday morning as a fixed price reoffer sold at less 1% by a syndicate of eight banks. But the market was thrown into some confusion when a bid of less 1.80 appeared on syndicate managers' dealing screens.

Baring had been forced into posting the lower bid to try to protect the syndicate after spotting bids of less 2 started to appear mid-morning. Although a fixed price reoffer keeps syndicate members from selling below the agreed price, there is no established convention about showing lower bids.

It appears that no bonds were sold below the level of the reoffering and the bonds were

## NEW INTERNATIONAL BOND ISSUES

| Borrower               | US Dollars | Amount in | Coupon % | Price   | Maturity | Fees  | Book runner       |
|------------------------|------------|-----------|----------|---------|----------|-------|-------------------|
| Marzen Co Ltd (b)(b)   |            | 200       | 2 1/4    | 100     | 1994     | 2 1/4 | Nikko Secs (Eur)  |
| YEN                    |            |           |          |         |          |       |                   |
| Societe Generale       | 50n        | 100n      | 7.1      | 101 1/2 | 1995     | 1 1/2 | Fulfil Int        |
| Bayerische Vereinsbank | 100n       | 100n      | 7.1      | 101 1/2 | 1995     | 1 1/2 | Merrill Lynch     |
| STERLING               |            |           |          |         |          |       |                   |
| British Gas plc        | 150        | 12 1/2    | 10 1/2   | 100 1/2 | 1995     | 1 1/2 | Baring Bros       |
| SE-Bank                | 300        | (A)       | 100 1/2  | 100 1/2 | 1995     | N/A   | CSFB Effectenbank |

Floating rate notes. \*With equity warrants. \*Final terms. \*Coupon pays 3-month Libor plus 1/2. Callable after 2 years at par. \*Coupon cut by 1/2.

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

| US DOLLAR          | Amount | Yield   | Price   | Change | Yield   | Price   | Change |
|--------------------|--------|---------|---------|--------|---------|---------|--------|
| Albermarle 8 1/2   | 750    | 9 1/2   | 101 1/2 | +0.12  | 9 1/2   | 101 1/2 | +0.12  |
| Albermarle 9 1/2   | 100    | 10 1/2  | 101 1/2 | +0.12  | 10 1/2  | 101 1/2 | +0.12  |
| Albermarle 10 1/2  | 100    | 11 1/2  | 101 1/2 | +0.12  | 11 1/2  | 101 1/2 | +0.12  |
| Albermarle 11 1/2  | 100    | 12 1/2  | 101 1/2 | +0.12  | 12 1/2  | 101 1/2 | +0.12  |
| Albermarle 12 1/2  | 100    | 13 1/2  | 101 1/2 | +0.12  | 13 1/2  | 101 1/2 | +0.12  |
| Albermarle 13 1/2  | 100    | 14 1/2  | 101 1/2 | +0.12  | 14 1/2  | 101 1/2 | +0.12  |
| Albermarle 14 1/2  | 100    | 15 1/2  | 101 1/2 | +0.12  | 15 1/2  | 101 1/2 | +0.12  |
| Albermarle 15 1/2  | 100    | 16 1/2  | 101 1/2 | +0.12  | 16 1/2  | 101 1/2 | +0.12  |
| Albermarle 16 1/2  | 100    | 17 1/2  | 101 1/2 | +0.12  | 17 1/2  | 101 1/2 | +0.12  |
| Albermarle 17 1/2  | 100    | 18 1/2  | 101 1/2 | +0.12  | 18 1/2  | 101 1/2 | +0.12  |
| Albermarle 18 1/2  | 100    | 19 1/2  | 101 1/2 | +0.12  | 19 1/2  | 101 1/2 | +0.12  |
| Albermarle 19 1/2  | 100    | 20 1/2  | 101 1/2 | +0.12  | 20 1/2  | 101 1/2 | +0.12  |
| Albermarle 20 1/2  | 100    | 21 1/2  | 101 1/2 | +0.12  | 21 1/2  | 101 1/2 | +0.12  |
| Albermarle 21 1/2  | 100    | 22 1/2  | 101 1/2 | +0.12  | 22 1/2  | 101 1/2 | +0.12  |
| Albermarle 22 1/2  | 100    | 23 1/2  | 101 1/2 | +0.12  | 23 1/2  | 101 1/2 | +0.12  |
| Albermarle 23 1/2  | 100    | 24 1/2  | 101 1/2 | +0.12  | 24 1/2  | 101 1/2 | +0.12  |
| Albermarle 24 1/2  | 100    | 25 1/2  | 101 1/2 | +0.12  | 25 1/2  | 101 1/2 | +0.12  |
| Albermarle 25 1/2  | 100    | 26 1/2  | 101 1/2 | +0.12  | 26 1/2  | 101 1/2 | +0.12  |
| Albermarle 26 1/2  | 100    | 27 1/2  | 101 1/2 | +0.12  | 27 1/2  | 101 1/2 | +0.12  |
| Albermarle 27 1/2  | 100    | 28 1/2  | 101 1/2 | +0.12  | 28 1/2  | 101 1/2 | +0.12  |
| Albermarle 28 1/2  | 100    | 29 1/2  | 101 1/2 | +0.12  | 29 1/2  | 101 1/2 | +0.12  |
| Albermarle 29 1/2  | 100    | 30 1/2  | 101 1/2 | +0.12  | 30 1/2  | 101 1/2 | +0.12  |
| Albermarle 30 1/2  | 100    | 31 1/2  | 101 1/2 | +0.12  | 31 1/2  | 101 1/2 | +0.12  |
| Albermarle 31 1/2  | 100    | 32 1/2  | 101 1/2 | +0.12  | 32 1/2  | 101 1/2 | +0.12  |
| Albermarle 32 1/2  | 100    | 33 1/2  | 101 1/2 | +0.12  | 33 1/2  | 101 1/2 | +0.12  |
| Albermarle 33 1/2  | 100    | 34 1/2  | 101 1/2 | +0.12  | 34 1/2  | 101 1/2 | +0.12  |
| Albermarle 34 1/2  | 100    | 35 1/2  | 101 1/2 | +0.12  | 35 1/2  | 101 1/2 | +0.12  |
| Albermarle 35 1/2  | 100    | 36 1/2  | 101 1/2 | +0.12  | 36 1/2  | 101 1/2 | +0.12  |
| Albermarle 36 1/2  | 100    | 37 1/2  | 101 1/2 | +0.12  | 37 1/2  | 101 1/2 | +0.12  |
| Albermarle 37 1/2  | 100    | 38 1/2  | 101 1/2 | +0.12  | 38 1/2  | 101 1/2 | +0.12  |
| Albermarle 38 1/2  | 100    | 39 1/2  | 101 1/2 | +0.12  | 39 1/2  | 101 1/2 | +0.12  |
| Albermarle 39 1/2  | 100    | 40 1/2  | 101 1/2 | +0.12  | 40 1/2  | 101 1/2 | +0.12  |
| Albermarle 40 1/2  | 100    | 41 1/2  | 101 1/2 | +0.12  | 41 1/2  | 101 1/2 | +0.12  |
| Albermarle 41 1/2  | 100    | 42 1/2  | 101 1/2 | +0.12  | 42 1/2  | 101 1/2 | +0.12  |
| Albermarle 42 1/2  | 100    | 43 1/2  | 101 1/2 | +0.12  | 43 1/2  | 101 1/2 | +0.12  |
| Albermarle 43 1/2  | 100    | 44 1/2  | 101 1/2 | +0.12  | 44 1/2  | 101 1/2 | +0.12  |
| Albermarle 44 1/2  | 100    | 45 1/2  | 101 1/2 | +0.12  | 45 1/2  | 101 1/2 | +0.12  |
| Albermarle 45 1/2  | 100    | 46 1/2  | 101 1/2 | +0.12  | 46 1/2  | 101 1/2 | +0.12  |
| Albermarle 46 1/2  | 100    | 47 1/2  | 101 1/2 | +0.12  | 47 1/2  | 101 1/2 | +0.12  |
| Albermarle 47 1/2  | 100    | 48 1/2  | 101 1/2 | +0.12  | 48 1/2  | 101 1/2 | +0.12  |
| Albermarle 48 1/2  | 100    | 49 1/2  | 101 1/2 | +0.12  | 49 1/2  | 101 1/2 | +0.12  |
| Albermarle 49 1/2  | 100    | 50 1/2  | 101 1/2 | +0.12  | 50 1/2  | 101 1/2 | +0.12  |
| Albermarle 50 1/2  | 100    | 51 1/2  | 101 1/2 | +0.12  | 51 1/2  | 101 1/2 | +0.12  |
| Albermarle 51 1/2  | 100    | 52 1/2  | 101 1/2 | +0.12  | 52 1/2  | 101 1/2 | +0.12  |
| Albermarle 52 1/2  | 100    | 53 1/2  | 101 1/2 | +0.12  | 53 1/2  | 101 1/2 | +0.12  |
| Albermarle 53 1/2  | 100    | 54 1/2  | 101 1/2 | +0.12  | 54 1/2  | 101 1/2 | +0.12  |
| Albermarle 54 1/2  | 100    | 55 1/2  | 101 1/2 | +0.12  | 55 1/2  | 101 1/2 | +0.12  |
| Albermarle 55 1/2  | 100    | 56 1/2  | 101 1/2 | +0.12  | 56 1/2  | 101 1/2 | +0.12  |
| Albermarle 56 1/2  | 100    | 57 1/2  | 101 1/2 | +0.12  | 57 1/2  | 101 1/2 | +0.12  |
| Albermarle 57 1/2  | 100    | 58 1/2  | 101 1/2 | +0.12  | 58 1/2  | 101 1/2 | +0.12  |
| Albermarle 58 1/2  | 100    | 59 1/2  | 101 1/2 | +0.12  | 59 1/2  | 101 1/2 | +0.12  |
| Albermarle 59 1/2  | 100    | 60 1/2  | 101 1/2 | +0.12  | 60 1/2  | 101 1/2 | +0.12  |
| Albermarle 60 1/2  | 100    | 61 1/2  | 101 1/2 | +0.12  | 61 1/2  | 101 1/2 | +0.12  |
| Albermarle 61 1/2  | 100    | 62 1/2  | 101 1/2 | +0.12  | 62 1/2  | 101 1/2 | +0.12  |
| Albermarle 62 1/2  | 100    | 63 1/2  | 101 1/2 | +0.12  | 63 1/2  | 101 1/2 | +0.12  |
| Albermarle 63 1/2  | 100    | 64 1/2  | 101 1/2 | +0.12  | 64 1/2  | 101 1/2 | +0.12  |
| Albermarle 64 1/2  | 100    | 65 1/2  | 101 1/2 | +0.12  | 65 1/2  | 101 1/2 | +0.12  |
| Albermarle 65 1/2  | 100    | 66 1/2  | 101 1/2 | +0.12  | 66 1/2  | 101 1/2 | +0.12  |
| Albermarle 66 1/2  | 100    | 67 1/2  | 101 1/2 | +0.12  | 67 1/2  | 101 1/2 | +0.12  |
| Albermarle 67 1/2  | 100    | 68 1/2  | 101 1/2 | +0.12  | 68 1/2  | 101 1/2 | +0.12  |
| Albermarle 68 1/2  | 100    | 69 1/2  | 101 1/2 | +0.12  | 69 1/2  | 101 1/2 | +0.12  |
| Albermarle 69 1/2  | 100    | 70 1/2  | 101 1/2 | +0.12  | 70 1/2  | 101 1/2 | +0.12  |
| Albermarle 70 1/2  | 100    | 71 1/2  | 101 1/2 | +0.12  | 71 1/2  | 101 1/2 | +0.12  |
| Albermarle 71 1/2  | 100    | 72 1/2  | 101 1/2 | +0.12  | 72 1/2  | 101 1/2 | +0.12  |
| Albermarle 72 1/2  | 100    | 73 1/2  | 101 1/2 | +0.12  | 73 1/2  | 101 1/2 | +0.12  |
| Albermarle 73 1/2  | 100    | 74 1/2  | 101 1/2 | +0.12  | 74 1/2  | 101 1/2 | +0.12  |
| Albermarle 74 1/2  | 100    | 75 1/2  | 101 1/2 | +0.12  | 75 1/2  | 101 1/2 | +0.12  |
| Albermarle 75 1/2  | 100    | 76 1/2  | 101 1/2 | +0.12  | 76 1/2  | 101 1/2 | +0.12  |
| Albermarle 76 1/2  | 100    | 77 1/2  | 101 1/2 | +0.12  | 77 1/2  | 101 1/2 | +0.12  |
| Albermarle 77 1/2  | 100    | 78 1/2  | 101 1/2 | +0.12  | 78 1/2  | 101 1/2 | +0.12  |
| Albermarle 78 1/2  | 100    | 79 1/2  | 101 1/2 | +0.12  | 79 1/2  | 101 1/2 | +0.12  |
| Albermarle 79 1/2  | 100    | 80 1/2  | 101 1/2 | +0.12  | 80 1/2  | 101 1/2 | +0.12  |
| Albermarle 80 1/2  | 100    | 81 1/2  | 101 1/2 | +0.12  | 81 1/2  | 101 1/2 | +0.12  |
| Albermarle 81 1/2  | 100    | 82 1/2  | 101 1/2 | +0.12  | 82 1/2  | 101 1/2 | +0.12  |
| Albermarle 82 1/2  | 100    | 83 1/2  | 101 1/2 | +0.12  | 83 1/2  | 101 1/2 | +0.12  |
| Albermarle 83 1/2  | 100    | 84 1/2  | 101 1/2 | +0.12  | 84 1/2  | 101 1/2 | +0.12  |
| Albermarle 84 1/2  | 100    | 85 1/2  | 101 1/2 | +0.12  | 85 1/2  | 101 1/2 | +0.12  |
| Albermarle 85 1/2  | 100    | 86 1/2  | 101 1/2 | +0.12  | 86 1/2  | 101 1/2 | +0.12  |
| Albermarle 86 1/2  | 100    | 87 1/2  | 101 1/2 | +0.12  | 87 1/2  | 101 1/2 | +0.12  |
| Albermarle 87 1/2  | 100    | 88 1/2  | 101 1/2 | +0.12  | 88 1/2  | 101 1/2 | +0.12  |
| Albermarle 88 1/2  | 100    | 89 1/2  | 101 1/2 | +0.12  | 89 1/2  | 101 1/2 | +0.12  |
| Albermarle 89 1/2  | 100    | 90 1/2  | 101 1/2 | +0.12  | 90 1/2  | 101 1/2 | +0.12  |
| Albermarle 90 1/2  | 100    | 91 1/2  | 101 1/2 | +0.12  | 91 1/2  | 101 1/2 | +0.12  |
| Albermarle 91 1/2  | 100    | 92 1/2  | 101 1/2 | +0.12  | 92 1/2  | 101 1/2 | +0.12  |
| Albermarle 92 1/2  | 100    | 93 1/2  | 101 1/2 | +0.12  | 93 1/2  | 101 1/2 | +0.12  |
| Albermarle 93 1/2  | 100    | 94 1/2  | 101 1/2 | +0.12  | 94 1/2  | 101 1/2 | +0.12  |
| Albermarle 94 1/2  | 100    | 95 1/2  | 101 1/2 | +0.12  | 95 1/2  | 101 1/2 | +0.12  |
| Albermarle 95 1/2  | 100    | 96 1/2  | 101 1/2 | +0.12  | 96 1/2  | 101 1/2 | +0.12  |
| Albermarle 96 1/2  | 100    | 97 1/2  | 101 1/2 | +0.12  | 97 1/2  | 101 1/2 | +0.12  |
| Albermarle 97 1/2  | 100    | 98 1/2  | 101 1/2 | +0.12  | 98 1/2  | 101 1/2 | +0.12  |
| Albermarle 98 1/2  | 100    | 99 1/2  | 101 1/2 | +0.12  | 99 1/2  | 101 1/2 | +0.12  |
| Albermarle 99 1/2  | 100    | 100 1/2 | 101 1/2 | +0.12  | 100 1/2 | 101 1/2 | +0.12  |
| Albermarle 100 1/2 | 100    | 101 1/2 | 101 1/2 | +0.12  | 101 1/2 | 101 1/2 | +0.12  |

| US DOLLAR           |  |  |  | Amount |  |  |  | Yield |  |  |  | Price  |  |  |  | Change   |  |  |  |       |  |  |  |
|---------------------|--|--|--|--------|--|--|--|-------|--|--|--|--------|--|--|--|----------|--|--|--|-------|--|--|--|
|                     |  |  |  | Issued |  |  |  | Bid   |  |  |  | Offer  |  |  |  | day week |  |  |  | Yield |  |  |  |
| TRAIGHTS            |  |  |  | 200    |  |  |  | 90%   |  |  |  | 91     |  |  |  | 0 -0.4   |  |  |  | 8.41  |  |  |  |
| Asian Der. BK 6 9/4 |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |
| Euro 6 9/4          |  |  |  | 750    |  |  |  | 90%   |  |  |  | 91 1/4 |  |  |  | 0        |  |  |  | 8.17  |  |  |  |

## INTERNATIONAL CAPITAL MARKETS

## Treasuries continue slide ahead of refunding details

By Janet Bush in New York and Martin Dickson in London

US TREASURY bonds continued to slide yesterday with no sign of a recovery from last week's steep falls.

## GOVERNMENT BONDS

Maturities were quoted as much as 1/4 point lower, while the benchmark long bond was quoted 3/4 point lower for a yield of 8.54 per cent.

Yesterday's release of December personal income and consumption data showed that personal income rose 0.5 per cent and personal consumption rose by 1 per cent compared with forecasts of a gain of around 0.7 per cent. The larger than expected rise in consumption was attributed to increased spending on heating because of the cold weather.

Overall, the figures appeared to lend support to the view that the economy is not tilting into recession and, as bond market economists Griggs & Santow put it, "gains in real income remain large enough to assure that consumption will remain the driving force behind this year's non-recession expansion."

The quiet start to the week was expected, given the fact that there is so much news to digest over the next few days. Economic statistics due this week include December new home sales and leading indicators tomorrow and the all-important January employment release on Friday.

Tomorrow, the market will receive details of the quarterly refunding next month and, on Thursday, the latest economic report by US purchasing managers is released. The market is still extremely concerned about demand at the quarterly refunding, although the sharp rise in yields recently should have helped a little.

UK GOVERNMENT bonds closed higher last night after a see-saw day of thin trading which opened with a mark down of prices.

The market, which dipped last Friday - despite improving trade figures - on news that the Government might resume gilt sales, was again jittery about new issues yesterday morning. A £150m issue for British Gas reinforced these anxieties, as prices dropped by around 1/4 at the long end and 1/2 at the short end.

But the strength of sterling and reconsideration of the trade figures drew some foreign and domestic buying, and the benchmark 11% Treasury stock due 2003/07 closed around 107, up some 1/2, to yield 10.73.

WEST GERMAN government bonds enjoyed a stronger day on the back of the strengthening D-Mark, with the market led by heavy volume in futures and relatively light trading in cash bonds.

Analysts said that other factors behind the rise included short-covering, switching by some investors from US Treasuries to German bonds.

Germany's January consumer price figures.

Although the price statistics were in line with expectations, some fund managers were reported to have seen them as a buying opportunity.

The Federal Government's 7% January 2000 bond was fixed 22 basis points higher at 97.15, with the yield falling to 7.65 per cent from 7.70 on Friday.

In late trading it was quoted at about 97.13.

IN TOKYO, cash bonds rose in early trading on the back of the yen's appreciation against the dollar, with the yield on the benchmark 119th issue dropping as low as 6.37 per cent against 6.42 on Friday.

But profit-taking halted the trend and the yield rose as high as 6.51.

Trading was cautious ahead of today's expected auction of February 10-year government bonds.

Late in London's trading day the yield on the benchmark 11% Treasury stock due 2003/07 closed around 107, up some 1/2, to yield 10.73.

WEST GERMAN government bonds enjoyed a stronger day on the back of the strengthening D-Mark, with the market led by heavy volume in futures and relatively light trading in cash bonds.

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## Sony makes huge Tokyo warrant bond issue

By Ian Rodger in Tokyo

SONY has joined the rush of Japanese companies issuing yen warrant bonds in Tokyo with a huge ¥100bn issue, the same size as that made by Nippon Steel last month.

The Sony issue is part of a ¥400bn fund-raising to finance its acquisitions of Columbia Pictures and Guber-Peters Entertainment in the US, for which it paid \$3.6bn last September. It will heighten fears in London that the issue of dollar-denominated warrant bonds in the Euromarkets by Japanese companies will decline substantially in the next few months.

The surge of yen warrant bond issues has come partly because interest and exchange rate trends have made it cheaper for Japanese companies to make issues in yen rather than in dollars which are then swapped into yen.

Also, the Japanese Ministry of Finance has been encouraging companies to issue their warrant bonds in Tokyo rather than overseas, claiming that such a move would give investors greater protection than they have now. There have been complaints that spreads in the over-the-counter market in the warrants have been too large.

The UK authorities have requested that the ministry structure such moves to avoid discrimination against foreign securities firms that deal in the bonds and warrants.

The flow of yen warrant bond issues, which began slowly last spring, is still small compared to that of dollar warrant bonds. However, the issues by Sony and Nippon Steel are expected to affect others' plans.

Among other companies planning yen warrant bond issues in Tokyo are Iridium (¥15bn), Nippon Steel Chemical (¥15bn), Sanyo Chemical (¥15bn), Nihon Cement (¥45bn), Komori Printing (¥45bn), Ricoh (¥50bn), Fuji Fire and Marine Insurance (¥20bn) and Nippon Yusen (¥30bn). However, another 12 companies have announced plans for dollar warrant bond issues and a further eight in European currencies.

## German mortgages go offshore

Katharine Campbell examines a bold initiative from Deutsche Bank

The relatively quiet launch this month of the first Eurobond from the Europäische Hypothekendarlehenbank (EHB) constitutes a largely overlooked, but potentially important, Euromarket innovation.

For the DM100m tap issue, by a new Luxembourg mortgage bank formed by Deutsche Bank, marks the first attempt to introduce to the offshore market a security modelled on the so-called West German "Pfandbriefsystem" (roughly, mortgage bonds).

The German banks have failed so far to get their own way in the implementation of a European Community-wide directive on mortgage banking, allowing them to expand their profitable domestic refinancing business internationally. So Deutsche Bank has come up with its own independent solution for the repackaging of international loans and mortgages. Whether the new - and as yet very modest - venture titillates Euromarket investors remains to be seen.

The new bond carries a coupon of 7.75 per cent and is priced at issue at 100.25, yielding 7.69 per cent, roughly 30 pence less than a corresponding domestic mortgage bond - which, despite the tax advantages of Eurobonds, is not generous, according to several international investors.

"More than half" the issue has been placed, says EHB. It is currently quoted in the market on a yield, at fees, of 7.98 per cent. As a comparison, five year Bundesobligationen yield around 7.87 per cent, and an

index of average yields on AAA bonds with five years remaining maturity is 8.21 per cent.

However, officials at the EHB stress that there are plenty of investors who care more for security than yield and liquidity, who will buy the paper.

EHB was set up in April last year, by Deutsche Bank in partnership with its Luxembourg subsidiary and the group's German mortgage banks. Its aim is to take advantage of the rock-solid structure of domestic mortgage securities, while attaining a measure of flexibility not conferred on issuers under German mortgage law.

The concept looked more attractive a year ago when the German Government was in the middle of implementing the 10 per cent withholding tax on domestic securities. When the tax was abruptly withdrawn months later, the allure of the Luxembourg subsidiary, which could have issued securities free of the tax, may have waned somewhat. But Deutsche Bank decided to go ahead anyway.

The bank argues that the increasingly international flavour of public sector funding in the Community, and the prospect of capitalising on cross-border real-estate funding requirements in the medium or longer term, provides the motivation for the new venture. And, starting with the refinancing of public sector loans, EHB officials are aiming for a margin of at least

10 pence, which by domestic standards is attractive.

They plan a modest new issue programme of between DM250m and DM500m this year, refinancing loans to countries belonging to the EC and Organisation of Economic and Cultural Development as well as German states. Because of big differences in property law among the various Community members, the bank is initially planning only public sector loans. It will be at least a year before the legal twists of arranging mortgage collateral are sorted out.

The trick is to largely replicate the structure of the domestic instrument. Kommunalobligationen (public sector bonds) and Pfandbriefe (mortgage bonds) account for as much as half the total outstanding in the domestic fixed-income market, and represent the secure investment beloved of the highly conservative German investor.

Though these bonds are issued by mortgage banks refinancing long-term public sector and real-estate loans, they are not to be confused with the asset-backed securities more familiar to international investors. The German securities are not collateralised by a specific pool of mortgages or other loans. Instead, all outstanding issues are covered by the one, considerably diversified, pool.

Stringent legal requirements regarding the nature of their collateralisation ensure a higher degree of security. For instance, the mortgage may not exceed 80 per cent of the value of the property; the

weighted average maturity of the loans and the bonds must be exactly matched; and bond holders have priority if the mortgage bank should become insolvent. All these criteria are monitored by a government-appointed trustee.

The idea is to transfer this concept to the Euromarkets, without some restrictions that apply under German law. Domestic mortgage banks can only refinance loans to EC member states and institutions, whereas the new venture proposes also to refinance loans to other OECD entities.

Domestic institutions cannot refinance mortgages on foreign property, and are only allowed to issue securities in D-Marks. EHB has said it would consider issuing in other currencies, particularly if currency swap terms were unattractive.

But how broadly the bank will be able to distribute these securities remains an open question. Large institutional investors have been wary of the domestic Pfandbriefe, because most of the issues are small and so the market is relatively illiquid. Even when the spreads against bonds (government bonds) have widened considerably - because of a surge in foreign demand for bonds - institutional investors have been reluctant to step in and take advantage of the disparity.

So it will be a while before the customer base expands beyond the private investors and small funds, which have so far absorbed the paper.

## Swiss foreign lending declines by 17%

By John Wicks in Zurich

THE VOLUME of foreign borrowings in Switzerland dropped 17 per cent last year to SF42.2bn (\$28.3bn), according to annual capital market figures released by the Swiss National Bank.

The decline was due mainly to a 21 per cent fall from SF40bn to SF31.7bn in the issue of bonds and notes, which the bank attributes to interest rate uncertainty.

There was also a large change in the structure of foreign capital market borrowings. This was marked by a

drop in the volume of straight issues to some 30 per cent of the whole, while convertibles and warrant issues increased their share from 28 to 57 per cent and 7 to 14 per cent respectively. The share of privately placed notes in the total also rose sharply, from 54 to 74 per cent.

The remainder of the capital-export total was accounted for by bank loans, which declined by 2 per cent to SF10.7bn, or to 25 per cent of the total, compared with 21 per cent in 1988.

A geographical breakdown shows that Japanese borrowers accounted for almost half the Swiss capital exports compared with 31 per cent in the previous year. Foreign convertibles, however, were 96 per cent.

For other regions, West European and American borrowings showed marked declines, while eastern Europe's share jumped from 3 to almost 8 per cent. Development organisations' share also jumped, from some 3 to 5 per cent over the year.

## Monte Carlo bank closed

THE French Banking Commission has taken over Banque Industrielle de Monaco because the financial condition of the Monte Carlo-based bank has deteriorated due to speculative operations and doubtful loans, Reuters reports.

The Bank of France said the commission has appointed a temporary manager, Mr André Mouillon, who has closed the bank's doors pending an audit. The manager will work actively with the Monaco authorities to find a solution that will enable the bank to be reopened.

## BENCHMARK GOVERNMENT BONDS

|             | Coupon | Red Data | Price   | Change | Yield | Week High | Month High |
|-------------|--------|----------|---------|--------|-------|-----------|------------|
| UK GILTS    | 10.000 | 4/93     | 94.03   | +1/32  | 12.19 | 12.50     | 11.38      |
|             | 10.500 | 5/96     | 96.09   | +8/32  | 11.14 | 11.28     | 10.57      |
|             | 9.000  | 10/08    | 88.30   | +10/32 | 10.21 | 10.30     | 9.71       |
| US TREASURY | 7.875  | 11/89    | 95.23   | -10/32 | 8.53  | 8.27      | 7.92       |
|             | 8.125  | 8/19     | 95.08   | -13/32 | 8.57  | 8.30      | 7.97       |
| JAPAN No 11 | 4.800  | 6/98     | 90.1632 | -0.741 | 6.49  | 6.65      | 5.71       |
|             | 5.120  | 3/07     | 94.8222 | +0.078 | 6.53  | 6.50      | 5.88       |
| GERMANY     | 7.000  | 9/98     | 95.5000 | +0.450 | 7.64  | 7.73      | 7.26       |
| FRANCE BTAN | 8.000  | 10/04    | 91.0104 | -0.081 | 10.35 | 10.50     | 10.21      |
|             | 8.125  | 5/96     | 91.0150 | +0.035 | 9.61  | 9.59      | 9.50       |
| CANADA      | 9.250  | 12/98    | 95.0000 | -0.300 | 10.05 | 9.84      | 9.71       |
| NETHERLANDS | 7.500  | 11/99    | 94.9500 | +0.070 | 8.26  | 8.36      | 8.02       |
| AUSTRALIA   | 12.000 | 7/99     | 96.1112 | +0.210 | 12.71 | 12.96     | 12.90      |

London closing. \*denotes New York closing. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

## LONDON MARKET STATISTICS

## FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| EQUITY GROUPS Monday January 29 1990 |              |                       |                      |                  |                     |           |              |                       |                      |
|--------------------------------------|--------------|-----------------------|----------------------|------------------|---------------------|-----------|--------------|-----------------------|----------------------|
| & SUB-SECTIONS                       |              |                       |                      |                  |                     |           |              |                       |                      |
| Index No.                            | Day's Change | Est. Earnings (Mill.) | Gross Div. Yield (%) | Est. P/E (Ratio) | Adj. Div. Yield (%) | Index No. | Day's Change | Est. Earnings (Mill.) | Gross Div. Yield (%) |
| 1 CAPITAL GOODS (203)                | 897.07       | +0.2                  | 12.66                | 4.75             | 6.62                | 1.34      | 895.30       | 890.85                | 887.31               |
| 2 Building Materials (27)            | 1807.22      | -0.1                  | 14.48                | 5.20             | 8.16                | 1.36      | 1808.44      | 1806.28               | 1807.10              |
| 3 Contracting, Construction (36)     | 1519.31      | -0.2                  | 16.33                | 5.19             | 10.22               | 1.14      | 1522.72      | 1521.44               | 1519.16              |
| 4 Electricals (10)                   | 2585.17      | +0.3                  | 10.41                | 4.81             | 12.86               | 0.80      | 2577.82      | 2571.49               | 2571.49              |
| 5 Electronics (30)                   | 1959.26      | +0.5                  | 9.17                 | 3.69             | 14.10               | 0.76      | 1949.50      | 1929.54               | 1917.83              |
| 6 Engineering-Aerospace (6)          | 454.54       | +0.2                  | 13.22                | 4.86             | 9.34                | 0.04      | 453.79       | 450.72                | 452.27               |
| 7 Engineering-General (45)           | 479.02       | -0.1                  | 11.68                | 4.89             | 10.33               | 0.34      | 478.64       | 476.43                | 475.80               |
| 8 Metals and Metal Forming (6)       | 471.43       | -0.3                  | 13.81                | 6.28             | 4.51                | 0.80      | 461.44       | 462.46                | 463.63               |
| 9 Motors (16)                        | 343.77       | +0.4                  | 13.82                | 5.58             | 8.49                | 0.00      | 342.98       | 339.21                | 339.86               |
| 10 Other Industrial Materials (25)   | 1619.26      | -0.1                  | 10.42                | 4.66             | 11.34               | 0.90      | 1617.44      | 1619.31               | 1616.30              |
| 11 CONSUMER GROUP (178)              | 1286.58      | +0.5                  | 8.82                 | 3.69             | 14.17               | 2.10      | 1280.52      | 1271.06               | 1264.39              |
| 12 Brewers and Distillers (22)       | 1815.37      | -0.5                  | 9.45                 | 3.47             | 13.25               | 6.54      | 1822.47      | 1803.49               | 1807.35              |
| 13 Food Manufacturing (19)           | 1129.61      | +0.4                  | 9.60                 | 3.91             | 12.93               | 1.70      | 1124.89      | 1123.35               | 1116.10              |
| 14 Food Retailing (16)               | 2297.21      | -0.3                  | 8.85                 | 3.30             | 14.69               | 3.63      | 2291.44      | 2285.73               | 2284.89              |
| 15 Health and Household (13)         | 2545.09      | +0.9                  | 6.35                 | 2.57             | 19.35               | 0.20      | 2552.27      | 2501.54               | 2477.89              |
| 16 Leisure (33)                      | 1826.85      | +0.9                  | 8.27                 | 3.64             | 14.89               | 0.54      | 1822.45      | 1799.92               | 1821.31              |
| 17 Packaging & Paper (14)            | 576.86       | -0.1                  | 11.49                | 4.99             | 10.92               | 0.18      | 576.51       | 576.24                | 574.33               |
| 18 Publishing & Printing (17)        | 2604.99      | +0.5                  | 8.79                 | 4.95             | 14.49               | 0.50      | 2595.44      | 2585.38               | 2581.49              |
| 19 Stores (31)                       | 784.84       | +1.0                  | 11.13                | 4.78             | 11.69               | 0.25      | 787.42       | 766.58                | 776.49               |
| 20 Textiles (13)                     | 519.69       | -0.1                  | 11.12                | 5.77             | 10.90               | 0.80      | 515.42       | 511.49                | 508.15               |
| 21 OTHER GROUPS (103)                | 1172.79      | +0.8                  | 10.90                | 4.77             | 10.99               | 0.38      | 1163.40      | 1157.63               | 1151.74              |
| 22 Agencies (16)                     | 1259.96      | -0.2                  | 6.79                 | 2.31             | 18.08               | 0.00      | 1254.66      | 1243.64               | 1241.19              |
| 23 Chemicals (22)                    | 1213.73      | -0.7                  | 12.50                | 5.30             | 9.43                | 0.27      | 1205.56      | 1206.52               | 1196.61              |
| 24 Conglomerates (13)                | 1617.69      | -0.1                  | 11.11                | 6.06             | 10.58               | 0.90      | 1604.23      | 1599.50               | 1599.54              |
| 25 Transport (13)                    | 2291.28      | -1.2                  | 10.96                | 4.19             | 12.07               | 2.88      | 2283.39      | 2257.31               | 2252.84              |
| 26 Telephone Networks (2)            | 1221.11      | -1.9                  | 10.40                | 4.20             | 12.50               | 0.80      | 1198.41      | 1187.92               | 1184.88              |
| 27 Water (10)                        | 2008.78      | +0.6                  | 11.42                | 6.77             | 6.36                | 0.94      | 2003.77      | 1978.86               | 1978.86              |
| 28 Miscellaneous (27)                | 1861.73      | -0.3                  | 9.52                 | 4.41             | 11.85               | 0.91      | 1857.47      | 1843.86               | 1843.81              |
| 29 INDUSTRIAL GROUP (484)            | 1168.09      | +0.5                  | 10.42                | 4.29             | 11.75               | 1.37      | 1162.20      | 1154.58               | 1149.54              |
| 30 Oil & Gas (16)                    | 2371.12      | +0.6                  | 9.10                 | 4.82             | 14.52               | 6.21      | 2356.42      | 2308.99               | 2268.04              |
| 31 500 SHARE INDEX (500)             | 1268.48      | +0.5                  | 10.23                | 4.34             | 12.08               | 1.75      | 1261.88      | 1249.34               | 1248.75              |
| 32 FINANCIAL GROUP (174)             | 838.01       | +0.6                  | 5.07                 | 5.07             | 6.76                | 0.35      | 833.02       | 821.25                | 821.70               |
| 33 Banks (9)                         | 831.86       | -1.1                  | 19.49                | 5.69             | 6.76                | 0.00      | 827.51       | 826.85                | 826.38               |
| 34 Insurance (16)                    | 1401.56      | +0.3                  | 8.79                 | 4.95             | 14.49               | 0.50      | 1398.94      | 1384.38               | 1381.49              |
| 35 Insurance (Composite) (7)         | 705.03       | -0.2                  | 5.36                 | 5.36             | 6.76                | 0.00      | 703.14       | 699.85                | 710.71               |
| 36 Insurance (Brokers) (6)           | 1142.32      | -0.2                  | 6.50                 | 5.52             | 20.47               | 0.00      | 1144.47      | 1133.73               | 1138.49              |
| 37 Merchant Banks (8)                | 481.07       | -0.2                  | 3.70                 | 3.70             | 6.76                | 0.00      | 478.18       | 478.18                | 478.24               |
| 38 Property (49)                     | 1319.29      | +0.4                  | 7.70                 | 3.42             | 14.42               | 0.94      | 1313.77      | 1318.86               | 1321.31              |
| 39 Other Financial (23)              | 1334.34      | +0.3                  | 12.44                | 6.32             | 10.37               | 0.46      | 1333.19      | 1333.22               | 1333.48              |
| 40 Investment Trusts (48)            | 1229.97      | +0.3                  | 2.96                 | 2.96             | 6.76                | 0.45      | 1228.90      | 1218.06               | 1212.37              |
| 41 Overseas Traders (3)              | 1431.55      | -0.8                  | 10.64                | 6.39             | 11.06               | 36.79     | 1427.04      | 1428.74               | 1428.81              |
| 42 ALL-SHARE INDEX (687)             | 1164.32      | +0.5                  | 4.44                 | 4.44             | 6.76                | 1.55      | 1158.48      | 1148.05               | 1143.55              |
| 43 FT-SE 100 SHARE INDEX             | 2328.8       | +14.3                 | 2333.1               | 2317.5           | 2314.5              | 2289.1    | 2278.1       | 2291.1                | 2297.1               |

| FIXED INTEREST     |            |                |            |              |                      | AVERAGE GROSS REDEMPTION YIELDS |              | Mon Jan 29 | Fri Jan 26 | Year ago (approx.) |       |
|--------------------|------------|----------------|------------|--------------|----------------------|---------------------------------|--------------|------------|------------|--------------------|-------|
| PRICE INDICES      | Mon Jan 29 | Day's change % | Fri Jan 26 | xd adj today | xd adj. 1990 to date | British Government              |              |            |            |                    |       |
| British Government |            |                |            |              |                      | Low                             | 5 years      | 10.64      | 10.75      | 9.11               |       |
|                    |            |                |            |              |                      | Coupons                         | 15 years     | 10.17      | 10.23      | 8.30               |       |
|                    |            |                |            |              |                      |                                 | 25 years     | 10.04      | 10.10      | 8.83               |       |
|                    |            |                |            |              |                      | Medium                          | 5 years      | 11.69      | 11.75      | 10.07              |       |
|                    |            |                |            |              |                      | Coupons                         | 15 years     | 10.54      | 10.61      | 9.34               |       |
| 1 Up to 5 years    | 115.16     | +0.11          | 115.03     | -            | 1.33                 |                                 |              | 10.15      | 10.22      | 9.00               |       |
| 2 5-15 years       | 125.54     | +0.37          | 125.08     | -            | 1.19                 | High                            | 5 years      | 11.84      | 11.88      | 10.32              |       |
| 3 Over 15 years    | 135.29     | +0.53          | 134.58     | -            | 0.00                 | Coupons                         | 15 years     | 10.75      | 10.82      | 9.49               |       |
| 4 Irredeemables    | 152.78     | +0.73          | 151.67     | -            | 0.00                 |                                 | 25 years     | 10.29      | 10.37      | 9.04               |       |
| 5 All stocks       | 124.72     | +0.30          | 124.34     | -            | 1.13                 | Irredeemables                   |              | 10.08      | 10.16      | 8.84               |       |
| Index-Linked       |            |                |            |              |                      | Index-Linked                    |              |            |            |                    |       |
| 6 Up to 5 years    | 141.27     | +0.25          | 140.91     | -            | 0.09                 | Inflation rate 5%               | Up to 5 yrs. | 4.08       | 4.16       | 3.55               |       |
| 7 Over 5 years     | 137.62     | +0.22          | 137.32     | -            | 0.47                 | Inflation rate 5%               | Over 5 yrs.  | 3.78       | 3.79       | 3.44               |       |
| 8 All stocks       | 137.77     | +0.22          | 137.47     | -            | 0.43                 | Inflation rate 10%              | Up to 5 yrs. | 3.16       | 3.23       | 2.69               |       |
|                    |            |                |            |              |                      | Inflation rate 10%              | Over 5 yrs.  | 3.61       | 3.62       | 3.49               |       |
| 9 Debts & Loans    | 102.61     | -0.06          | 102.67     | -            | 0.31                 | 15                              | Debt & Loans | 5 years    | 13.30      | 13.17              | 11.73 |
|                    |            |                |            |              |                      | 16                              |              | 15 years   | 12.71      | 12.63              | 11.26 |
|                    |            |                |            |              |                      | 17                              |              | 25 years   | 12.70      | 12.63              | 10.91 |
| 10 Preference      | 82.25      | -0.32          | 82.51      | -            | 0.16                 | 18                              | Preference   |            | 11.28      | 11.21              | 10.11 |

## UK COMPANY NEWS

## US losses prompt 22.5% decline at John Menzies

By Maggie Urry

LOSSES IN its US business led John Menzies, the retail and wholesale group, to sustain a 22.5 per cent drop in pre-tax profits in the half year to end-October.

On sales up 18 per cent to £410m, pre-tax profits fell from £4m to £3.1m. Earnings per share were down 45 per cent at 2p.

Mr John Menzies, chairman, warned last September that first half profits would be flat but the market had not expected the downturn, and the shares fell 17p to close at 81p.

However, Mr Menzies said that Christmas sales had matched forecasts and he fore-saw "an acceptable result at the year end".

The group has changed its year end to April, and most of group profits are made in the second half.

Trading losses from the US, where the group has a chain of 81 Early Learning Centre shops selling educational children's goods, increased from £2.1m to

£3.2m. Mr Ronald Noel-Paton, managing director, said sales volumes were too low and a number of options were currently being reviewed.

In the UK trading profits rose from £7.6m to £7.9m. Trading conditions in retailing were difficult, said Mr Noel-Paton: the hot summer weather had held back sales growth and the train strikes, which affected the group's station bookstalls, had cost £100,000 a day in lost sales.

Nonetheless the John Menzies chain has increased sales by 6.5 per cent on a like-for-like basis and the Hammonds bookshops saw sales up 12 per cent. Sales of the UK Early Learning Centres had been 20 per cent higher.

The newspaper and magazine wholesale business had now settled down after the shake up of two years ago, although margins are lower.

Mr Noel-Paton said there had been a big increase in sales of

the record, CD and video wholesaling business following the purchase of Wynd Up early in 1989.

The office supplies wholesale business had grown satisfactorily, and the group had formed a joint venture with Reliable Corporation of the US to expand in the mail order office supplies field in the UK and Europe.

The interim dividend is raised from 3p to 3.25p.

## COMMENT

The sorry saga of the US Early Learning Centres seems unending, and it may be some time yet before it either comes right or is stopped, especially as the US retail scene is now gloomy. Menzies is convinced that the formula should work - as it does in the UK - but unfortunately the customers have yet to feel the same. Meanwhile, the UK end is suffering from the same economic misery as other retailers, though at least selling books and newspapers is less affected than most areas. In all the group may produce profits of £27m or so for the year. There is no comparative figure to work on, though in the 52 weeks to end January 1989 the group made £28.1m. A prospective p/e of 11.3 is not attractive.

## Dewey Warren tops £11m

DEWEY WARREN, the financial services group, showed a substantial lift from £4.06m to £11.1m in pre-tax profits for 1989.

That included £2.54m exceptional credit from the sale of the investment in Morgan Grenfell. The operating profit took in £2.36m on the disposal of other investments.

In November the company announced the proposed acquisition of certain interests of Robert Fraser should not proceed, and extraordinary costs of £1.28m have been charged.

It was also decided that ways would be sought to maximise the company's potential for shareholders, including seeking an offer. A number of companies had shown interest and discussions were continuing.

Turnover advanced to £22.82m (£8.29m). Interest soared to £10.06m (£18,000).

Last February the group acquired Argyle Trust, whose major operating subsidiary is a second mortgage lender, at a cost of £25.45m.

The market for second mortgage finance was currently less buoyant because of high interest rates. The directors expected the situation to improve, however, and there was reason to expect the business and profitability of Argyle to accelerate in 1990.

## A survival plan which backfired

Clay Harris looks at the changing fortunes of Southwest Resources

SOUTHWEST Resources, once Mr Max Lewinson's other company, this week steps in to share the spotlight with Dominion International Group, the financial services and property concern in the hands of court-appointed administrators.

Tomorrow, Southwest will announce results for the six months to September 30, the first figures to reflect its diversification from oil and gas into Hong Kong property management in the waning days of Mr Lewinson's regime.

Mr Lewinson was last August ousted as chairman less than a fortnight after his forced departure from Dominion, Southwest's largest shareholder at the time. He left Southwest after receiving a unanimous written notice to quit from fellow directors who rejected his contention that his position on the board was not tied to his role at Dominion.

Southwest bears little resemblance to the company which reported a £389,000 loss before tax at the interim stage in 1988-89, a deficit which deepened to £11m for the full year. Even Southwest's stockbroker has not forecast a result for tomorrow, and attention will focus less on the figures than on the board's signals about the group's future direction.

Last summer Southwest narrowly escaped a fate similar to

Dominion's. "We were insolvent and there was a danger of bankruptcy," Mr Kenneth Keep, managing director, said.

Survival was achieved through a three-part plan organised by Mr Lewinson. The company agreed to buy Dominion's Hong Kong-based Guardian Property Management for £6.8m in shares and asked shareholders for £10.4m through a five-for-two rights issue at 8p. The third element was a £20.5m capital reduction.

Together, the moves were intended to offset the cost of writing down Southwest's US oil and gas reserves. In its 1988-89 accounts, the balance sheet showed net assets of only 1.4p per share but a pro forma post-rights figure of 4.2p.

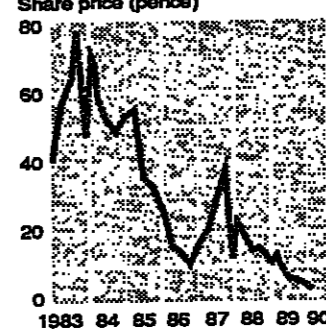
The shares-out, cash-in combination resembles what Mr Lewinson later tried at Dominion: the sale of Film Finances, the film production guarantor, for cash and the acquisition of York Associates, a US mortgage services company, for paper.

Mr Lewinson's insistence that Dominion could have been saved if the plan had not been dropped after his departure is contested by Dominion's new management.

One question which remains is how could the Guardian deal have been in the interests both of Dominion and Southwest shareholders? "It was a del-

## Southwest Resources

Share price (pence)



cate balance," says Mr Keep. The transaction was opportunistic, he admits. "We knew that [Guardian] was cash positive, generating small profits and available for sale entirely for shares." But Mr Keep insists that Southwest paid a "fairish" price and notes Dominion took out a £1.5m cash dividend before the sale.

What is certain is that the deal backfired badly on Dominion. It had cut its Southwest stake from 65 per cent in 1983 to 19.6 per cent last May.

In addition to accepting shares for Guardian, Dominion agreed to take up its proportion of the rights issue and to underwrite the rest. When other shareholders shunned the cash call, its stake soared to

45 per cent, or 120m shares. The flop sent Southwest shares lower, a trend which worsened when Dominion became a forced seller.

In September, under pressure from its bankers to raise cash, Dominion sold 80m shares at only 3.4p each to Mr Clive Maltack, executive deputy chairman of UTC, the corporate finance house, the family trusts of Mr Nigel Wray, the tip-sheet publisher and clients of UTC Securities.

In November, Dominion sold another 20m shares at 4p to institutional clients of Williams de Broe, broker to both companies, leaving it with 20m shares, a 7.4 per cent stake.

Mr Lewinson yesterday noted he had raised £2m for Dominion by selling Southwest shares at 8p at the end of July and said he had received several firm offers from several parties to buy additional shares for between 6p and 7p.

Personally he retains only 13.542 Southwest shares, against the 1m he holds in Dominion.

Southwest has been responsible for most of the £12m which Dominion has written off against its natural resources interests in recent years. However Mr Keep suggests that the Guardian deal was "a drop in the ocean" in terms of determining Dominion's fate.

## More O'Ferrall expands in Belgium via £5.9m deal

By David Owen

MORE O'FERRALL, the outdoor advertising contractor, is set to become the largest force in the Belgian market with the purchase of two local businesses for Bfr338m (£5.85m) cash.

The London-based group has entered into a conditional agreement to acquire both the Visibility Group, which owns and leases outdoor advertising sites throughout Belgium, and a division of SA Madou Extension which provides poster, maintenance and building services for Visibility sites.

The deal promises virtually to double More O'Ferrall's share of the Belgian market to almost 35 per cent and to raise to a little below 20 per cent the proportion of overall group turnover derived from Belgium.

"It is an area we have always wanted to expand in but have been limited by the number of new-site opportunities," said Mr Trevor Maund, finance director.

On a less positive note, the transaction will raise the company's gearing to approximately 120 per cent. "We had an acquisition opportunity and had to move quickly in competition with other buyers offer-

ing cash," Mr Maund explained.

Profits from the acquired companies are expected to cover the related interest charges.

On completion of the deal, Mr Robert Arckens, Visibility founder, and other family members will resign from the company.

Mr Roger Parisel, manager responsible for More O'Ferrall's Belgian operations, will be appointed managing director of Visibility.

The conditional agreement provides for both Bfr30m of assets and investments and Bfr14m of net amounts owed from Mr Arckens and associates to be exchanged for cash prior to completion. This is expected to eliminate Visibility's borrowings as at June 30 1989.

As at December 31, Visibility owned or leased more than 1,000 sq m roadside advertising sites and 20,200 2 and 4 sq m sites chiefly in shopping areas. In the year ended June 30 1988, the group made pre-tax profits of Bfr29.5m on turnover of Bfr284m. Net assets at June 30 1988 were Bfr68m.

More O'Ferrall shares were unchanged at 41p.

## Brandon ahead to £0.58m

BRANDON HIRE, the Bristol-based plant hire company which came to the USM in September, reported pre-tax profits of £578,000 for the six months to October 31, an improvement of 15 per cent on the £503,000 for the corresponding period.

Mr Brian Nathan, chairman, said that after an excellent start for the tool hire division, increased pressure from interest rates on customers led to somewhat lower demand for

the second half of the six month period. The catering and furniture hire division, however, continued to make encouraging progress and increased its share of group turnover.

Turnover showed a gain of 39 per cent from £1.99m to £2.77m. Interest payable doubled from £51,000 to £107,000 while tax took £202,000 (£176,000) leaving earnings of 4.6p (4.22p) per share. There is an interim dividend of 1.11p.

## Sun Life personal pension premiums advance sharply

By Eric Short, Pensions Correspondent

SUN LIFE Group last year consolidated its position as a significant force in the UK pensions sector, writing its 5,000th Suntrust Plan (a self-administered director pension plan).

On all money purchase pension arrangements, including the new style personal pensions, new annual premiums rose some 8 per cent from £47.5m to £51.5m and single premiums doubled from £101.2m to £201.3m, including £45m in respect of arrangements used to contract-out of the State Earnings-Related Pension Scheme.

Within this figure, personal pensions themselves accounted for a 48 per cent rise in annual

premiums from £8.8m to £13m and a jump in single premiums from £29m to £100.2m.

Life business written by the group in 1989 was dull by comparison.

New single premiums fell nearly 10 per cent from £23.5m to £22m, while single premiums rose by a fifth from £219.5m to £257.5m, boosted by a 30 per cent jump in single premium bonds to £219.5m.

Unit trust sales dropped by one third from £51.2m to £33.4m, offset by £13.4m of premium on the newly-launched Personal Equity Plan and a jump from £7.6m to £16.5m on contributions to its Business Expansion Schemes.

## TR Trustees net assets rise

At the interim stage net asset value of TR Trustees Corporation stood at 175p, up from 147.2p a year earlier.

For the six months to November 30 earnings per share moved ahead from 1.73p to 2.2p. The interim dividend is increased from 1.2p to 1.5p, and a maintained final of 1.8p is forecast.

Total revenue was £7.5m (£6.4m), including £1.4m in income of £6.07m (£5.06m) and investment income of £1.06m (£901,000). The taxable outcome worked through at £5.56m (£4.27m).

## Delaney sale

Delaney Group has contracted to sell its newly built freehold factory in Fleckney, Leicestershire. The cash proceeds of £255,000 will be used to repay the bridging finance.



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## MAES Funding No. 2 PLC



£300,000,000  
Mortgage Backed  
Floating Rate Notes due 2017  
Notice is hereby given that a Principal Payment of £5,000 in respect of each Note will be made on 6th February, 1990 resulting in a Principal Amount Outstanding of each Note of £295,000 for the following Interest Period.

Subsequent to the Principal Payment the Pool Factor will be 0.876.

MAES Funding No. 2 PLC  
26th January, 1990

## UK COMPANY NEWS

# Norfolk shareholders back board against coup

By Andrew Hill

SHAREHOLDERS IN Norfolk Capital Group yesterday supported their board against an attempted management coup, freeing directors to concentrate on fighting a hostile bid from rival hotel company Queens Moat Houses.

Norfolk later strengthened the executive membership of the board by appointing two new directors from within the group, despite the continued opposition of non-executive directors Lady Joseph and Mr Tony Good.

Queens Moat launched its \$17m bid last Thursday, partially undermining the attempt by Balmoral International to take over the Norfolk board.

In spite of the changed circumstances, about 500 shareholders and advisers packed the London Press Centre yesterday to hear the board defend itself against Balmoral's accusations of a "dismal performance".

Balmoral, which owns about 13 per cent of Norfolk, decided to proceed with its attempt to install three executives on the board, and oust Mr Peter Eyles, the managing director. But the private company abstained from voting for the controversial resolution that it should

manage Norfolk on a five-year contract, linked to share options or performance fees. The plan was condemned by most shareholders who spoke and described by one as "clever and cheeky".

All six Balmoral resolutions were defeated following a poll and, excluding Balmoral, between 69 per cent and 92 per cent of the votes were cast in favour of the board.

Lady Joseph, who owns 7 per cent of the company, and Mr Good believe Mr Eyles should resign and voted to elect Mr Peter Tyrie, Balmoral's managing director, as a non-executive director.

But afterwards, Mr Dermot Fitzpatrick, an area director of Norfolk's core hotels business, and Mr Gavin Chittick, company secretary, were appointed as executive directors, despite opposition from Mr Good and Lady Joseph. Earlier, Mr Fitzpatrick had spoken strongly on behalf of Norfolk's shareholders and in support of Mr Eyles.

At the beginning of yesterday's meeting Balmoral's Mr Tyrie had said: "In the days and weeks to come it is vital that Norfolk's shareholders are represented on the board by a



Peter Tyrie, Balmoral's managing director

fresh, united well-focused team, rather than the tired, divided and poorly-focused management which has been responsible for Norfolk's rapid deterioration."

But most investors at the meeting seemed to agree with one shareholder who warned: "In the present circumstances, with Queens Moat just round the corner, the last thing we want to do is remove our managing director."

# Seacon to sell Milford Docks for £5.7m

By Clay Harris

SEACON HOLDINGS, the shipping and transport group based in London's Docklands, is to sell Milford Docks Company, the Welsh harbour operator, to Milford Haven Port Authority for £5.7m.

The deal brings the docks company into government ownership for the first time in its 116-year history.

Seacon's Third Market traded shares jumped 15p to 153p on the news that shareholders are to receive a special 20p dividend.

However, Seacon warned that it would take exceptional and extraordinary provisions totalling £1.1m relating to its investment in Vasco, a roll on/roll off operation between Southampton and the Iberian peninsula. The total included trading losses and writing off its investment.

Until its rescue by Seacon in 1987, Milford was the oldest public company in Wales, with a history of boardroom squabbles stretching back more than three decades. Its affairs are the subject of a Department of Trade and Industry investigation announced on June 30 last year.

The improvement in Milford's fortunes was underlined yesterday with the announcement of pre-tax profits of £603,000 on turnover of £1.14m in the year to September 30. But Seacon said this result would have been only £175,000 if volumes had not soared during the national dock strike.

In the previous 12 months, the first under Seacon's ownership, Milford broke into the black for the first time in many years with a £78,000 profit.

A pre-disposal dividend to Seacon of £466,000 net of ACT, raises its total cash proceeds to £26.17m. Seacon's all-share bid in 1987 valued Milford at £261,600. Since then, it has invested £2.7m in the docks. Seacon intends to distribute more than half of its £2.3m capital gain direct to shareholders along with the interim dividend for the current financial year.

# British Vita buys Brinkhaus

By John Thornhill

British Vita, the Manchester-based polymer, foam and fibre group, has further expanded its activities in the West German market by buying the industrial division of Brinkhaus, a consumer products company.

The acquisition has been made through Vita's Belgian subsidiary, which claims to be Europe's largest fibre processing company.

Brinkhaus' industrial division, based at Warendorf, near Munster, makes pre-formed fibre cushions for the furniture industry. In 1989, the division had sales of DM17m (£8m) and at the year-end had a net asset value of DM5.4m.

Mr Rod Sellers, Vita's finance director, said the Brinkhaus division would complement Vita's business which focuses on the manufacture of synthetic fibre for the furniture industry.

The cost of the acquisition was not disclosed but is believed to be just above the division's asset value.

With the addition of the Brinkhaus division's business, Vita has a sales target for 1990 of BF£2.2m (£283m) in Belgium, France and West Germany.

# Belgian buy for Newman Tonks

By John Thornhill

Newman Tonks, the Birmingham-based architectural hardware group, has bought two Belgian partitioning systems suppliers for up to BF£68.97m (£1.2m) cash.

The two companies, Separat and Separatfond, based near Brussels, manufacture and install partitioning and ceiling systems in commercial offices.

Mr Cecil Buckett, finance director, said the two companies would complement the activities of Tonks's L&D Partitioning Systems subsidiary, which manufactures steel partitioning.

The executive directors of the two companies will continue to run the businesses and have signed three year service agreements.

# SHARE STAKES

The following changes in company share stakes have been announced recently:

Bolton Group: TR Property Investment Trust is the beneficial owner of 775,000 ordinary shares (8.46 per cent). Continuous Stationery: Prudential Portfolio Managers has disposed of 75,000 ordinary (0.44 per cent) at 69p each leaving holding 1,02m (6.09 per cent) - shares are registered in names of Prudential Pensions 608,231 and Holborn Bars Nominees 415,554. Royal Trust Asset Management acquired 500,000 ordinary (2.98 per cent) at 64p each making holding 900,000 (5.36 per cent) - shares are registered in the name of NCB Trust. TR Trustees Corp acquired 300,000 ordinary (1.79 per cent) at 69p each making

holding 1.3m (7.7 per cent) - shares are registered under name of Puddledock Nominees. Govett Strategic Investment Trust: Equitable Life Assurance Society and its associate, University Life Assurance Society, acquired 100,000 ordinary (0.1 per cent) making holding 6.97m (7.1 per cent). Mervier-Swain Group: RB Fletcher disposed of 2,000 ordinary (0.01 per cent) at 383p each leaving holding 900,000 ordinary (6.88 per cent). Stanhope Properties: Kleinwort Benson Investment Management holds 5.22 per cent of equity. This however, does not include a new build-up of a block holding in company but an aggregation of existing discretionary trusts.

# If balance sheets don't balance

David Waller on Blue Arrow's widely differing US and UK figures

COMMON SENSE dictates that there should be some reasonably straightforward relationship between a company's reported profits and its share price.

And yet yesterday Blue Arrow announced a \$626m write-off against its profits - which had barely passed the £1m mark in the previous year - and the share price did not flinch.

One of the reasons for this apparently perverse stock market reaction was that the write-off had no effect on the company's UK figures. Blue Arrow is one of the few UK-based companies which is more than 50 per cent owned by US investors, and so is obliged to prepare figures in accordance with both UK and US accounting rules.

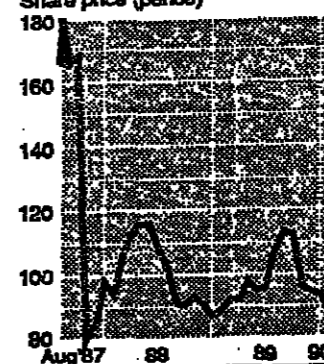
A more important reason for the stock market indifference was that the write-off had absolutely no bearing on the company's cashflows, its business, its profitability, its customers, on what is called "economic reality".

The write-off related to goodwill, the intangible asset which is the difference between the purchase price of a company and its net tangible assets as adjusted for something accountants call "fair value".

There has been a proliferation of goodwill in recent years, particularly in service companies such as advertising or employment agencies which have no

# Blue Arrow

Share price (pence)



Blue Arrow announced yesterday that it planned to change the way it deals with goodwill. The write-off period is to be reduced from 40 to 5 years. And the absolute amount that needs to be written off is to be lopped dramatically by taking a one-off charge of \$626m - a \$1bn-plus release yesterday.

Draw attention to US principles will be curbed by just under \$47m for each of the next four years (the first of the five write-offs taking place in the 1989 figures).

Why is Mr Mitchell from Britain's accountancy going to all this trouble, given that these accounting changes have no bearing on economic reality? After all, the fact that US investors now own 65 per cent of the company reflects their

ability to see beyond the US-style numbers in the first place, and to assess the company's attractions as an investment on the basis of cashflow figures and other fundamentals.

"The amortisation of \$1.6m of goodwill over a 40-year period would mean a protracted reduction in the company's reported earnings," Mr Fromstein said yesterday. "Investors' perceptions about the company's trading figures would be based on numbers cut in half because of the amortisation charge. The company could end up being valued at half its true value."

The problem with a 40-year write-off period is that the feeling of being virtually infinitely a five-year period is much more manageable, even if the absolute level of the charge against profits is much higher for those five years than it would be for the 40-year period.

By taking a vast \$676m hit in 1989, Mr Fromstein hopes to draw attention to the artificiality of the goodwill accounting rules. The figures are manifestly absurd, bear no relation to the business realities, and thus should be ignored, ignored not just when assessing the 1989 figures, but also for each of the next four years as well.

Judging by the share price reaction yesterday, Mr Fromstein has succeeded: the US figures were ignored even by US investors.

# Margins under pressure as Toothill incurs loss

RW Toothill, the upholstered furniture manufacturer taken over last year by Adamas Industri of Sweden, yesterday reported an interim loss of £381,000 pre-tax.

The outcome, for the six months to the end of December, was a £2.89p loss per share compared with a profit of £38,000 in the corresponding period of 1988.

Mr J Walker, chairman, said that profit margins remained under pressure reflecting the continuing depressed level of demand for consumer durable products and increased raw material costs.

However, the weakness of sterling will support plans to export products to Scandinavia and the EC, he said.

Projects in the pipeline with Adamas include up-market suites of Swedish hide and a range of furniture for sister company LIL Interiors.

Sales improved to £2.38m (£2.32m). The loss per share was £2.89p (earnings of 4.02p). There is no interim dividend (3.6p).

Toothill's financial year end has been changed to August 31 to conform with the parent company, which is to proceed with a placing of Toothill shares to ensure that its Stock Exchange listing is maintained. A 10-for-1 scrip issue is scheduled to take place in February or March to improve marketability of the shares, unchanged at 66p yesterday.

# Wilton takes 14.3% stake in Cowan de Groot

By John Thornhill

Wilton Group, the Third Market company formerly known as Femine Resources, has bought a 14.3 per cent stake in the Samuelson Group and will now ask for representation on the board of the industrial holding company.

The acquisition of the shares, however, has taken place in the middle of a legal battle between Wilton and Mr Jonathan Samuelson, Cowan's chairman. Wilton is suing Mr Samuelson claiming that he had agreed to sell a 10.5 per cent shareholding in Cowan owned by his family settlement. Mr Samuelson has denied this. A third party is also suing Mr Samuelson in connection with these shares.

Mr Samuelson bought his shareholding in Cowan in December 1989 after selling his stake in the Samuelson Group to Eagle Trust, the mini-conglomerate which subsequently became involved in a financial scandal.

Wilton revealed yesterday that it had bought its shares from Coast Investment & Development. The announcement pushed Cowan's share price up 4p to 47p, giving the company a market value of £12.3m.

# Lilley purchase

Lilley has purchased the plant assets of Whallings (Foundations) for £1.2m cash.

# TGI shares dive as microwave scare bites

By Andrew Bolger

Shares in TGI, the audio and consumer electronics group, fell 24p to 96p yesterday after the company said that difficult trading conditions within its product factoring division would reduce the profits expected for the year ending March 31.

Although the group's range of microwave ovens received a clean bill of health following the recent investigations, the adverse publicity has led to a collapse in this market, the company said.

It added that this situation had been exacerbated by the most difficult conditions experienced for consumer products for many years.

While pre-tax profits in the second half were expected to exceed the £1.1m achieved in the six months to September 30, full-year profits are expected to be materially lower than the £4.2m achieved last time.

# Brooke Tool withdrawal

Brooke Tool Engineering (Holdings) has completed withdrawal from the mining supply industry by selling Green and Bingham to Hydratools International for £271,000 cash.

In addition the company has retained cash and assets which are expected to realise a further £293,000.

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December 1989

**HILL SAMUEL OVERSEAS FUND**  
SICAV  
Luxembourg, 11, rue Aldringen  
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**Notice to Shareholders**

The Extraordinary General Meeting of shareholders held on August 4, 1989 decided to create two classes of shares, namely class A shares which shall be entitled to dividends and class B shares which are accumulation shares.

It was further resolved that the outstanding shares are all class A shares which shall be identified by a stamp.

Existing shareholders should remit their shares for stamping to Kredietbank S.A., Luxembourg, Attn: Dept. Régularisation within thirty days following the publication of the present notice in the press.

After March 1st, 1990 only stamped class A shares shall be considered to be of good delivery on the Luxembourg Stock Exchange.

Hill Samuel Overseas Fund

**BANK OF CHINA**  
U.S. Dollar Floating Rate Notes due July 1998  
- WKN 478 543

In accordance with the Conditions of the Notes notice is hereby given that for the interest period January 24, 1990 to July 23, 1990 included (181 days) the Notes will bear interest at the rate of 8 1/4 per annum. The coupon amount per U.S.\$ 10,000 Note will be U.S.\$ 427.26 and per U.S.\$ 100,000 Note U.S.\$ 4,273.61.

The Interest Payment Date will be July 24, 1990.

In January 1990

**Deutsche Bank Ag**  
Aktiengesellschaft

**MERCURY OFFSHORE STERLING TRUST**  
(SICAV)

Registered Office: 10, boulevard Roosevelt, Boite Postale 408,  
L-2014 Luxembourg, Grand-Duchy of Luxembourg, R.C. Luxembourg No. B24.990

**NOTICE OF ANNUAL GENERAL MEETING AND OF EXTRAORDINARY GENERAL MEETING**

The Annual General Meeting and an Extraordinary General Meeting of Shareholders of Mercury Offshore Sterling Trust will be held at 10, boulevard Roosevelt, Luxembourg, at 11.00 a.m. and 11.10 a.m. (or as soon as practicable thereafter) on 30th January 1990 for the purposes of considering and voting upon the following matters:

**Agenda of the Annual General Meeting of Shareholders**

- To accept the Directors' and Auditors' reports and to approve the financial statements for the year ended 30th September, 1989.
- To declare such dividends for the year to 30th September, 1989 as may be recommended by the Board, as necessary to obtain distributor status for the Company, and to fix their date of payment.
- To discharge the Directors from their responsibilities for all actions taken within their mandates during the year to 30th September, 1989 and to approve their remuneration.
- To ratify the co-opting of Mr T. Nakamae and Mr A. Philippe as Directors.
- To decide on any other business which may properly come before the Meeting.

**Agenda of the Extraordinary General Meeting of Shareholders**

- To resolve that paragraph (3) of Article 4 of the Articles of Association be amended to read as follows:

"The Company may invest in transferable securities admitted to official listing on stock exchanges, or dealt in on regulated markets which operate regularly and are recognised and open to the public, in any member country of the European Community (Member State), or in any other country in Europe, Asia, Oceania, the American continents or Africa and may, subject to the Law, invest in recently issued transferable securities the terms of issue of which provide that application be made for admission to official listing on any such stock exchange, or to any such regulated market."

with such modifications as may be required by any regulatory or listing authority.

**Voting**

Resolutions on the Agenda of the Annual General Meeting of Shareholders may be passed by a simple majority of the votes cast thereon at the Meeting with no requirement as to quorum. Resolutions on the Agenda of the Extraordinary General Meeting of Shareholders may be passed with a quorum of 50 per cent of the issued Shares by a majority of 75 per cent of the votes cast thereon at the Meeting.

**Voting Arrangements**

In order to vote at the Meetings:

- the holders of bearer Shares must deposit their Shares not later than 7th February, 1990 either at the registered office of the Company, or with any bank or financial institution acceptable to the Company, and the relative Deposit Receipts (which must be countersigned by the registered office of the Company) must be forwarded to the registered office of the Company to arrive not later than 7th February 1990. The Shares so deposited will remain blocked until the day after the Meeting or any adjournment thereof;
- the holders of registered Shares need not deposit their certificates but can be present in person or represented by a duly appointed proxy;
- Shareholders who cannot attend the Meeting in person are invited to send a duly completed and signed proxy form to the registered office of the Company to arrive not later than 7th February 1990. Proxy forms will be sent to registered Shareholders with a copy of the Notice and can also be obtained from the registered office. A person appointed a proxy need not be a holder of Shares in the Company; lodging of a proxy form will not prevent a Shareholder from attending the Meeting if he subsequently decides to do so.

**Further Meeting**

If a quorum is not present at the Extraordinary General Meeting of Shareholders a further Extraordinary General Meeting will be convened and held at the same address on 22nd March, 1990 at 11.00 a.m. to consider and vote on the Resolutions on the Agenda for such Meeting. At such Meeting there will be no quorum requirement and the Resolutions on the Agenda will be passed by a majority of 75 per cent of the votes cast thereon at the Meeting.

**Information for Shareholders**

Shareholders are advised that a draft (which is subject to modification, inter alia, to comply with the requirements of the competent regulatory and listing authorities) of the detailed changes proposed to the Articles of Association of the Company is available for inspection at the registered office of the S.G. Warburg & Co. Ltd., Paying Agency, 2, Fintebury Avenue, LONDON, EC2M 2PA. Banque Internationale à Luxembourg S.A., 2, boulevard Royal, L-2014 LUXEMBOURG.

A draft of the Articles of Association as amended will be available for inspection at the Meeting. None of the directors has a service contract with the Company.

**Recommendation**

In the opinion of the Directors the alterations to the Articles of Association proposed in Resolutions Numbers 6 and 7 are in the interests of the Company and its Shareholders. Accordingly, the Directors recommend that all Shareholders vote in favour of the Resolutions set out above.

30th January 1990

The Board of Directors



## MANAGEMENT: The Growing Business

## European juggling act

Which joint venture, with whom and where?  
Charles Batchelor follows Labelking's progress

Labelking, a South London printer of adhesive labels for the food industry, is attempting to break into export markets. Chris King, founder and managing director of the 18-year old company, plans to establish a joint venture on the continent with a French label printer, Société d'Étiquetage d'Impression et de Conditionnement (SEIC). Labelking and SEIC are similar in

size. The British company employs 42 people and has sales of £5m while SEIC employs 38 and has turnover of FF50m (£5.2m). They are considering two possibilities: linking up with a Portuguese label printer to establish a low-cost base for printing labels for sale throughout Europe and a joint-venture in Belgium with a Belgian partner to print computer labels.

might have made a suitable partner has not been in touch since the visit so is assumed not to be interested.

But the lack of a suitable partner was not the only problem. Portugal is too small a market and too far from the main commercial centres of Europe to be really attractive. In addition, Riss points out, the numbers do not add up.

The largest cost for a label printer is paper and this is no cheaper in Portugal than it is elsewhere. There would be a small saving on labour costs but this would be partly wiped out by higher transport charges. Overall, the savings do not appear to justify setting up in Portugal.

The discussion moves on to the planned joint venture in Belgium which is intended to supply all three partners with computer labels. These are a specialist product which neither Labelking nor SEIC currently produces.

They are labels which can be fed through a computer printer and printed with addresses for business mail-shots or with

product and storage data for internal and customer use. The labels may be printed with the company logo or plain (but in either case they must be cut to size) and the backing paper must be perforated to run over the printer sprockets. The market for these labels is very competitive and costs must be held down if the joint venture is to succeed.

"My hair stood on end when I saw your prices for the labels," Riss, the more financially-minded of the French duo, tells the Belgian Cuvellier. Costs would be affected by the product mix of the Belgian operation and by a decision on whether to produce for stock or only to order. Would there be sufficient demand for this type of label? asks Boveroux.

King acknowledges that at the moment customers do not ask for these labels but that is because they know Labelking does not make them. There would be a sizeable market once it became known they could be supplied, he says.

They get down to a detailed costing of the operation,

including the cost of the printing machinery, staff wages, factory space, heat, lighting and insurance.

Then King gets a surprise. Where should the printing operation be based? asks Riss. He suggests Labelking's Boveroux factory or at SEIC's associated company in Rouen. Up to now King had been working on the assumption it would be in Belgium. "We must work out the costs of each location," says Riss.

With a short break for rolls and wine brought in by a nearby office catering firm, the discussion resumes. Portugal comes up again and King agrees with the two Frenchmen that they should give greater priority to the computer label venture. They decide to reconsider the idea in a few months' time. (A few days later, however, the largest of the Portuguese companies visited does get in touch and a meeting is arranged in London for later in January.)

They then discuss the printing equipment they would need for the computer label

venture. Delivery would take six months but before they can order a machine they must set up a company. King is allotted the task of getting his lawyer to draw up a partnership agreement while Riss says he will ask his accountant to check the costs.

They have yet to decide where to base the new company so they will also have to do some more research into matters such as the comparative rates of tax and national insurance in France and the UK. They must also decide whether the computer label venture will sell at cost to the three partners or whether it will make a profit in its own right. And how will capacity of the new venture be allocated among the three partners if one gets a sudden large order?

One suggestion from the French side is for the computer label company to sell directly to customers if any of the three partners were unable to negotiate a satisfactory deal. This proposal worries King since it would mean the production company was competing with its owners and would undermine the whole basis for the partnership.

At 5.15pm - after six hours of discussion - the meeting ends. Many issues remain to be resolved but Boveroux is confident the new venture can be set up and running by September or October.

The financial risks of the computer label venture have been carefully weighed and it would not pose a threat to the viability of the partners even if it did not succeed.

Nevertheless King and his partners have reached agreement on an important new departure for their companies. This has been achieved with the minimum of formality and, so far, without involving lawyers or any other professional advisers.

On the return flight to London the following morning King reflects on the meeting. He would have preferred to have tied up more of the loose ends but his lack of fluency in French has limited his ability to steer the discussions.

He is happy, however, with the rapport he has built up with his French and Belgian counterparts and is satisfied with the progress that has been made. "Our ideas are much more concrete than they were a few months ago," he says.

Previous articles in this series appeared on May 2, May 23, September 5 and November 28. Future articles will continue to follow Labelking's progress.

## The best way to make a stand

Charles Batchelor reports on staff behaviour at exhibitions

Have you exhibited at a trade show recently? Were the staff on your stand friendly or did they stand, arms folded, glaring at visitors? Did they rush up to people before they had time to gather their thoughts or did they allow them time to look round? Did they promise to send sales literature but then forget or were the brochures sent with the next post?

How to prepare your staff is just one of the subjects covered in *How to Make Exhibitions Work for your Business*. Author John Talbot explains how, with careful planning, an exhibition can increase sales, raise your company's profile and tell you what your competitors are doing.

British companies undervalued the potential of exhibitions in the 1960s and early 1970s but have since become more enthusiastic. This has coincided with the opening of a number of new exhibition halls. In many continental countries exhibitions are an important part of the business year.

Many small businesses nevertheless still regard participation in an exhibition as difficult and expensive. This need not be so, says Talbot. He points out that exhibitions provide one of the few opportu-

nities that companies have to make contact with a large number of potential customers. The businessperson must first decide which sort of exhibition would be most useful. If sales go through wholesalers and distributors then a trade show will be most appropriate but a consumer exhibition will be of value to companies selling directly to the public.

If the exhibition has been held before the would-be participant should ask the organiser for audited visitor figures. More important than the crude numbers attending are the status and decision-making power of visitors.

The expense involved will comprise direct costs such as payment for stand space, the construction and fitting out of the stand and special brochures as well as indirect costs such as staff time spent in preparation. One survey of exhibition costs showed renting the space amounted to 26 per cent of costs, stand construction 41 per cent, staffing, transport and catering 17 per cent, stand services such as electricity and water 9 per cent, and publicity 7 per cent.

Booking stand space must be done well in advance - more than 12 months ahead with popular exhibitions, Talbot advises. Exhibitors should

make sure they study the fine print of the contract and that they can meet the deadlines laid down. Some shows will require a non-refundable payment of 25 per cent of the rental charge at an early stage.

Staff must be chosen for their ability to show the company at its best and they must be carefully briefed about the products on display. The number of staff involved must be chosen carefully since too many people make a stand look disorganised, while undermanning can mean sales are lost.

Staff must not be expected to work a full day from 9 am to 7 pm. Standing all day in the artificial atmosphere of an exhibition hall is tiring and a rota system will be needed. Staff who lose concentration may not demonstrate equipment properly or may fail to complete a sale.

In order to assess the effectiveness of exhibiting, the company should draw up a forecast of the numbers of prospective and actual sales they expect to make at the show and the likely value of these orders. After the show this forecast must be compared with the actual achievement.

\*Published by Kogan Page, 120 Pentonville Road, London N1 9JN. 127 pages. £7.95.

## In brief...

■ Finance and interest rates are the most important problem facing the 2,000 small businesses polled in the latest *Quarterly Survey* of Small Businesses in Britain. Thirty six per cent of respondents highlighted this issue, the highest proportion since the surveys began five years ago.

A lack of skilled labour continued to be the second most frequent business problem - cited by 12 per cent.

\* Published by Small Business Research Trust, School of Management, Open University, Walton Hall, Milton Keynes MK7 6AA. Tel 0908 655831. £15 per copy or £45 a year.

■ American Express has extended its range of services for small businesses by teaming up with the RAC (Royal Automobile Club) to offer a vehicle breakdown service to small company card-holders.

The service, known as *Mobile Assist*, gives roadside breakdowns and a recovery service if the vehicle, including light vans up to 3.5 tonnes, cannot be repaired.

Card-holders pay for each call-out (£45.50 for roadside assistance, for example) but pay no RAC subscription.

The annual subscription for the small company card is £32.50, including the *Mobile Assist* service. This is the same rate as an American Express personal card, though the company card covers the use of more than one vehicle.

American Express first launched its small company card last April, offering disability insurance to cover accidents at work, a telephone business travel and hotel booking service offering corporate discount rates and an annual report giving a break-

down of business expenses. The card is intended to extend services previously restricted to large companies to the smaller firm typically employing between six and 12 people. Card-holders from small companies now number 50,000.

■ A series of one and two-day workshops for established small businesses on subjects such as accountancy techniques, exports, computers in business and negotiating skills is being run by the London Enterprise Agency (LEA) over the next two months.

The cost of the sessions ranges from £50 (plus VAT) to £150 (plus VAT) though some are free to businesses which have been trading for less than a year.

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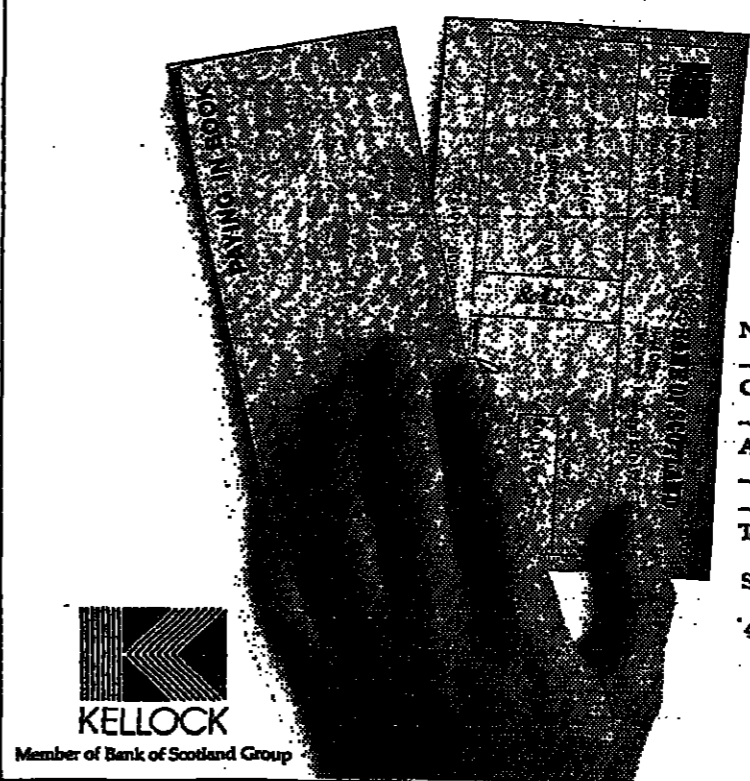
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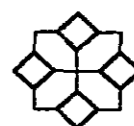
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For further information contact:

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Tel: 01-836 1200

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For further details please contact the Joint Administrative Receiver:

Scott Barnes, Grant Thornton,

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110 Albion Street,

Leeds LS2 8LA.

Tel: 0532 455514

Fax: 0532 465055

Grant Thornton

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## MANAGEMENT COURSES

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## TECHNOLOGY

# Clive Cookson reports on a biotechnological effort to satisfy consumer tastes

## A peach of a debate about nature

The scent of peaches wafts through the garden outside the pretty 17th century town of Naarden, in the richest horticultural region of Holland.

But it's not the fruit growing season. And surely real peachers wouldn't smell that strongly?

The source of the aroma turns out to be Quest International, Unilever's specialist flavours and fragrances company based at Naarden. With sales of \$55m in 1988, increasing annually by 10 per cent, Quest is one of the fastest growing but least well known parts of the Anglo-Dutch corporate empire.

It is already number two in the world league of flavour and fragrance manufacturers, behind IFF of the US, and aiming to take first place during the 1990s.

The research priority for all the big players in the \$500-a-year food flavouring sector is to develop ways of increasing the growing demand for "natural" flavours. Consumers are turning away from artificial food additives, synthesised by organic chemistry from materials derived ultimately from the petrochemical industry.

"Building a biotechnology base for Quest is the top priority for our R&D," says Thomas Walsh, the company's American chairman.

The peach-perfumed atmosphere in Naarden is one sign of Quest's biotechnology R&D programme (see accompanying article). Other parts include:

● A new generation of "natural" meat flavours that are not derived from meat extracts but from yeast cells broken down by enzymatic hydrolysis.

● Use of enzymes to improve the qualities of "gums" which stabilise and thicken the texture of processed food. For example, guar gum, a cheap stabiliser, is converted to locust bean gum, a far more expensive material extracted from carob trees, by an enzyme called alpha-galactosidase which Quest makes from genetically engineered yeast.

● Natural colours produced by yeast. Salmon farmers add the synthetic pink astaxanthin to fish feed to give their salmon the pink flesh characteristic of wild fish. Quest has produced a natural replacement for this.

Other leading flavour manufacturers have similar biotechnology programmes.

Ferdinand N&I, research director at Firmenich, the Swiss flavour and fragrance company, which has previously concentrated on organic chemistry, says: "We moved into biotechnology later than some others, but we have made a heavy commitment to our biotechnology department and the first generation of products will be coming out very soon."

"The cry of the public for 'truly natural products' has seriously set back chemical research in the flavour field," says Lazzio Unger, a leading industry analyst based in Geneva. He expects biotechnology increasingly to dominate food flavour manufacturing during the 1990s.

However, as Bill Zick, flavour marketing manager at IFF, points out, neither the industry nor consumer advocates have properly addressed the key question: what is a natural flavour? "1990 is going to be a very important year for the industry, in which the definition of 'natural' will be made very much tighter."

Although national regulatory bodies, such as the Food and Drug Administration in the US, have tried to define "natural" flavour, the closest to an accepted international definition comes from the World Health Organisation's Codex Alimentarius. "Any substance or preparation with flavouring properties acceptable for human consumption obtained exclusively by physical, microbiological or enzymatic processes from material of vegetable or animal origin..."

What that mouthful means is that a meat or fruit flavour derived from a strain of yeast occurring in nature is "natural". But the distinction between natural and artificial is less clear when considering a flavour produced from a genetically engineered yeast not found in nature.

What is clear is that a flavour component will be treated differently if it is made by synthetic chemistry from a base of petrochemicals, rather than through biotechnology. In the first case it is called "nature identical" rather than "natural".

Although most of the flavour industry's biotechnology R&D is directed at production based

on micro-organisms, particularly yeast, there is also a lot of research into plant cell cultures. For example, botanists at Edinburgh University, led by Professor Mike Yeoman, are culturing cells from chilli peppers to produce capsaicin, the spice which gives foods a "hot" taste.

But Japanese companies, led by Mitsui and Kanebo, seem to be ahead of their European and American competitors in the commercialisation of plant cell culture technology. The first commercial product was Mitsui's shikonin, a red colour traditionally extracted from *Lithospermum* roots and now made from *Lithospermum* cells in a fermenter.

In Europe, Danisco of Denmark is working with Plant Science Limited, a Sheffield University company, on a Eureka project to produce fruit flavours from plant cell cultures. Ray Creswell, project manager, says that cell cultures have been established from several different fruit, including orange, blackcurrant and cherry, although it will not be possible to assess their commercial potential as flavour sources for another 18 months.

A researcher tends pilot plant fermenters at Quest's biotechnology centre

the human organ - they sifted each fraction in turn through a special small hole in the GC machine.

"Organoleptically" important fractions (the ones judged likely to contribute significantly to the peach flavour) were then analysed chemically by a combination of mass spectrometry and infra-red and nuclear magnetic resonance spectroscopy. So far more than 400 chemical components of fresh peach flavour have been identified and many more are still being studied.

A group of components called lactones are especially important and the Quest researchers are focusing on these as candidates for production through biotechnology. They have already found a natural strain of the food grade yeast *Saccharomyces cerevisiae* which makes one particular lactone, gamma-decalactone, in an industrial fermenter.

The process involves feeding the yeast with ricinoleic acid, obtained from castor oil, which it "bio-converts" into gamma-decalactone. After fermentation, the lactone is isolated by simple extraction and distillation.

Gamma-decalactone is going into commercial production at one of Quest's factories in Ireland and a second important component of peach flavour, delta-decalactone, will follow.

The Recovers offer for sale the business and assets of Composite Systems (UK) Limited, a company based in Pudding, Northumberland, engaged in the manufacture, development and sale of CNC equipment to convert turning machines to new modern standards.

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For further information please contact: Gordon Goldie, Coopers & Lybrand Deloitte, Hadrian House, Higham Place, Newcastle upon Tyne NE1 8BP. Telephone: 091 261 2121. Fax: 091 232 6534.

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The peach-perfumed atmosphere in Naarden is one sign of Quest's biotechnology R&D programme (see accompanying article). Other parts include:

● A new generation of "natural" meat flavours that are not derived from meat extracts but from yeast cells broken down by enzymatic hydrolysis.

● Use of enzymes to improve the qualities of "gums" which stabilise and thicken the texture of processed food. For example, guar gum, a cheap stabiliser, is converted to locust bean gum, a far more expensive material extracted from carob trees, by an enzyme called alpha-galactosidase which Quest makes from genetically engineered yeast.

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## WORTH WATCHING

Edited by Della Bradshaw

### Speed of light in a computer

AN EXPERIMENTAL computer, which processes information using light rather than electricity, has been demonstrated by AT&T Bell Laboratories of the US.

This optical computer system, claimed to be a world first, is a dinosaur in terms of processing speed - it is only as powerful as the chips in a washing machine. But because light travels more quickly than electricity, optical computers should be able to process more than 1,000 times as much data as their electronic brethren.

The AT&T system is based on a group of gallium arsenide, optical switching elements, each with a potential processing speed of 1bn pieces of information every second. The devices rely on molecular beam epitaxy where materials are built up one atomic layer at a time. Each chip has 1,700 layers.

Commercialisation will depend on advances in lasers. Developments are likely to be evolutionary rather than revolutionary, with optical processing elements progressively finding their way into electronic systems over the next decade.

Initial exploitation is likely to be in telecommunications, where optical computing would be combined with optical fibre cables, and in parallel processing computers. These machines can handle huge amounts of data by splitting it into streams which are processed in parallel.

### Sharpening up TV information

A SHARPER, more colourful television information system has been developed by a Nor-

wegian company, Link Communication Systems (LCS), of Oslo, writes Lynton McLain. The teletext system has 600 times as many colours and is 20 times as sharp as existing teletext systems, allowing designers greater scope with complex and intricate shapes in languages, including Japanese and Arabic, that would not reproduce well on current teletext systems.

Existing teletext has seven colours. The Concept 3 design from LCS, based on a European standard called Cept 3, can reproduce 4,096 colours, up to 32 of which can be displayed simultaneously. The screen resolution of the LCS teletext is 110,400 picture elements per screen, compared with the 5,520 of existing teletext systems.

LCS is working with Grand Business Services to market the system, especially to hotels. The first installation is at the Hyatt Carlton Tower Hotel, London.

### The healing power of mould

MOULD is set to grow a new image. Instead of an unsightly and unwanted addition to loaves of bread, it could promote the healing of wounds.

A team at the British Telecommunications Group (BTG), in Manchester, has begun a two-year programme to see if micro-fungi can have healing properties when made into medical dressings. The researchers are particularly keen to analyse whether derivatives of the fungus are more effective than dressings made from seaweed (alginate).

The wonder ingredient found in the micro-fungus is chitin, a starch which is also found in the shells of fish, such as oysters or crabs. The advantage of the fungal version is that it grows in microscopic filaments and, therefore, could be more easily converted into dressings than the powder formula derived from shells.

### Extending the electric car

ALUPOWER of Kingston, Ontario, has developed aluminium-air fuel cells that have the potential to give electric cars a range of 500 km, or more, without recharging, writes Robert Gibbings.

The recyclable fuel cells use a centimetre-thick sheet

of aluminium alloy immersed in an alkaline solution. This interacts with oxygen to free stored energy as electricity. The alloy sheet is replaced periodically.

A Chrysler mini-van will be converted to test the fuel cells next year.

The Alcan Aluminium subsidiary says the new light fuel cells would be used with lead-acid batteries to offset the high cost of the aluminium-air cells. The combination would bring the propulsion costs to about the same as petrol.

Theoretically, the new fuel cells alone could provide a vehicle with a 2,000 km range without recharging.

### A bleeper that tells the time

FIRST it was the portable phone. Then came the electronic diary. But the latest electronic badge of yuppie-dom must surely be the wrist-watch pager.

In the UK, Mercury Paging will start selling the digital watch-cum-pager from Motorola, of the US, in the spring. The two-ounce timepiece has a liquid crystal display which reveals the time in the top half and the day and date underneath.

When a message is sent, the wrist-watch "beeps". The message - a phone number, for example - can either be called up on the bottom half of the display or stored, to be looked at later.

Have bleepers, will travel. It is the message for the telephone companies of Europe. Fourteen of them have got together to set up a European messaging system, code-named Ermes, and more are signing up all the time. Ermes will enable messages to be relayed - from the UK to Turkey - over the international telephone networks.

The same 15 radio channels in the VHF wavebands have been allocated for the service throughout the participating countries, so that a pager bought in one country will work in another.

In the UK, seven paging companies will be offering euro-services by the end of 1992, with the effort co-ordinated by the Department of Trade and Industry.

CONTACTS: AT&T: US, 201 949 5555. LCS: 202 572 625. BTG: UK, 01-635 8431. BTG: US, 01-635 8431. Alupower: Canada, 613 549 4500. Mercury Paging: London, 526 2500. DTE: London, 215 5000.

## BUSINESSES FOR SALE

### NEWCASTLE UPON TYNE

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## COMMODITIES AND AGRICULTURE

## Cocoa pact chief urges output cuts

By Mark Hubbard in Abidjan

**COCOA** PRODUCING countries should diversify agricultural output rather than wait for prices to rise, the chairman of the International Cocoa Organisation's council said yesterday.

Speaking in Abidjan, capital of the Ivory Coast, the world's leading cocoa producer, Mr Peter Baron, outlined the new ICCO policy of attempting to increase consumption while encouraging cuts in production.

Mr Baron said: "It is important to concentrate our activities in that area because we think there are many opportunities to increase the consumption of cocoa in the traditional and non-traditional markets."

Currently production of

cocoa is exceeding consumption by around 200,000 tonnes a year. World output for the current year is estimated at 2.4m tonnes, while consumption is running at about 2.2m tonnes.

Mr Baron, who is currently on a tour of four west African cocoa producers - the Ivory Coast, Ghana, Nigeria and Cameroon - recognised the failure of the International Cocoa Agreement (ICA) to guarantee prices, by suggesting that production must fall in order to re-establish competitiveness. "It is necessary to encourage the transformation of primary products in the producer countries," he said.

The failure of the ICA last year caused both a political and a financial crisis in the

Ivory Coast. The country's Agriculture Minister, Mr Denis Bra Karon, was sacked in October after 14 years in the post. He was blamed for Ivory Coast joining the ICA, a decision which had long been resisted by the president, Mr Felix Houphouët-Boigny. Now a Minister of State delegated to the president's office, Mr Guy-Alain Gaze, is in charge of cocoa policy, with the intention of keeping a closer presidential eye on the issue.

Under pressure from the World Bank, the Ivory Coast halved the cocoa producer price in September 1989 in an effort to reduce the deficit of the state marketing board, the Caisse de Stabilisation (Caisab). Currently, the producer price stands at 200 CFA francs

a kilogram (\$200 a tonne). With world market prices on the London Cocoa Exchange as low as \$821 a tonne for March cocoa, the prospect of an increase in producer prices appears remote.

A new International Cocoa Agreement is scheduled to be negotiated in September 1990, and after a meeting with President Houphouët-Boigny, Mr Baron said he was hopeful that a new deal could be struck which would help to stabilise prices.

"One can at present be optimistic," he said, "because with the support of the Ivory Coast we can arrive at a satisfactory solution by way of co-operation in the cocoa sector, which means the establishment of a new international accord."

## EC warned against relaxing farm curbs

By Bridget Bloom, Agriculture Correspondent

**THE EUROPEAN** Community must not be tempted into relaxing its current restrictions on farm production by the possibility of exporting to new food markets in Eastern Europe, since to do so would be to undermine the hard-won reforms of the common agricultural policy.

Agri Europe, the independent Brussels-based newsletter, notes in its latest edition that there are already rumblings towards a more expansionary Community farm policy among Farm Ministers. They spent much time at their Farm Council Brussels last week discussing the possible removal of quotas and price adjustments enshrined in the so-called budget stabilisers at the centre of the CAP reforms.

But Agri Europe points out, "before this budget campaign for expansion gets underway, it is worth pointing out that the Community already has substantial excess production of all the main agricultural products which could be switched from conventional commercial (but heavily subsidised) markets to meet the food demand of the east Europeans."

Surpluses in storage may be low, but the EC still produces 12m tonnes of milk above its needs, as well as 250,000 tonnes of beef, 80m tonnes of grain and many Mediterranean products like wine and olive oil. "The subsidised dumping on world markets of these products surplus to domestic consumption forms the bulk of the current annual Ecu28bn (\$20bn) cost of the CAP," it notes.

Agri Europe believes that the EC could expand its production to meet demand from Eastern Europe without any further expansion.

For example, the Community's own experts project cereal production rising from the present 162m tonnes (published last week as the probable 1989 cereal harvest) to beyond 180m tonnes but the mid 1990s.

The Soviet grain harvest last year amounted to 211.1m tonnes, 16m tonnes up on last year but the same as in 1987.

According to figures just published in Moscow for the first time, this equated with 196.4m tonnes dry weight, or an average of 191.1m tonnes since 1986.

Despite the better figures for last year, production still falls far short of what is needed for self-sufficiency, which is some 235m tonnes, a year according to US experts. The balance is currently made good through imports.

## Zinc and lead stocks plunge at London Metal Exchange

By Kenneth Gooding, Mining Correspondent

**LONDON METAL** Exchange zinc stocks fell by 11,475 tonnes or about 13.5 per cent to 73,675 tonnes last week, almost certainly the biggest weekly fall on record. Lead showed an even greater decline in percentage terms. LME stocks fell by more than 20 per cent or 4,650 tonnes to 18,350 tonnes.

Traders suggested that consumers had been taking steps to protect themselves from the possible impact of the strike at Centron, Peru's largest lead and zinc producer.

The 10-day strike ended last Thursday and the company expects to lift the force majeure declared on January 18 towards the end of this week. Company officials estimate that the stoppage cost more

| LME WAREHOUSE STOCKS<br>(Change during week ended last Friday) |                   |
|--|-------------------|
| tonnes   |                   |
| Aluminium  | +11,400 to 67,475 |
| Copper   | -225 to 104,150   |
| Lead   | -4,650 to 18,350  |
| Nickel   | -210 to 7,145     |
| Zinc   | -11,475 to 73,675 |
| Zn   | -250 to 10,295    |

than \$8m in lost output. Consequently, although zinc and lead prices moved up on the LME yesterday, the rises were relatively small. Special High Grade zinc for immediate delivery rose by \$15 a tonne to \$1,392.50 while cash lead advanced by \$5 a tonne to \$223.

Traders also said that Vieille Montagne, part of the Aco-Union Minière group and the biggest West European producer of the zinc accounting for about 11 per cent of world

production - had taken metal from LME stocks to cover production shortfalls.

VM has been affected by a strike in Canada which reduced supplies of raw materials to all four of its plants which operate on minimum stock levels. VM's small Belgian smelter at Overpelt, is also suffering from technical problems which have reduced its output by 25 per cent. VM has indicated all its problems should be over by the beginning of February.

Traders pointed out that LME zinc stocks remained relatively high and were at a six-year peak of 87,000 tonnes only two weeks ago.

On the other hand, LME stocks of lead are now at a 25-month low.

## Nigeria's 'commercialised' oil industry

Nicholas Woodworth on efforts to revive an under-funded sector

**AT THE** end of November, the Nigerian Government officially opened a campaign to reform its much-troubled state-owned enterprises. The aim of "commercialisation", as the policy is known, is to re-organise the country's parastatal companies to run themselves on a profit-and-loss basis without government intervention or subsidy.

With the introduction last month of special "implementation committees" charged with restructuring its major public sector companies, the Government has embarked on a course it hopes will lead parastatals away from the gross mismanagement and financial insolvency of the past.

For one of Nigeria's largest and most important state companies, however, commercialisation efforts are already well advanced. In January last year, after two years of internal reorganisation, the Nigerian National Petroleum Corporation put 10 newly-created and financially autonomous subsidiary companies into commercial operation.

While observers agree the shift established a basis for improved performance in an organisation that has been characterised as wasteful, inefficient, and non-profit-oriented, commercialisation did not solve NNPC's major problem - a critical lack of funds for investment in vital new projects.

Six months later, however, NNPC took a controversial step that will go some way to relieving financial strain: for slightly more than US\$2bn, in June it sold 20 per cent out of an 80 per cent interest it held in a joint venture with Shell, the largest foreign oil company operating in Nigeria.

In the last year the price of crude oil has risen from around \$14 to \$18 a barrel, and



Rilwanu Lukman: Wants a bigger Opec quota

at mid-year Nigeria's Opec production quota was raised from 1.3m to 1.501m barrels a day, with a \$3bn increase in oil income, Nigeria's annual net oil revenues are calculated to have risen to \$8bn. None the less, NNPC - which turns its profits over to the Central Bank - remains under-funded. It continues to remit "cash calls", by which it pays for its share of costs in operations with its foreign joint venture partners, in oil rather than hard currency.

Increased funding for NNPC operations has now become more crucial than ever, and was the main reason for NNPC's equity sale. If the Nigerian oil industry is not to stagnate, NNPC must raise considerable sums for investment in both exploration and downstream projects.

Mr Rilwanu Lukman, the Petroleum Minister, would like to see Nigeria become eligible for a higher Opec quota. He has therefore called for increases in Nigeria's proven reserves from 16bn to 20bn barrels, and a raising of its production capacity from 1.8m to 2.5m barrels a day. Mr Brian Lavers, Managing Director of

Shell, believes that as a result of new technology both objectives are realistic, provided NNPC can inject more funds into its joint venture operations.

Nigerian policy in recent years has been to concentrate on oil revenue development that will allow for diversification and value-adding in the oil industry. In addition to seeking equity in refining capacity overseas, it is now at a critical stage in the financing of three ambitious and expensive projects to exploit natural gas, gas condensate, and gas feedstock for petrochemical production.

Nigeria's liquefied natural gas project, in which NNPC has a 60 per cent share (Shell has 20 per cent, while Elf and Agip have 10 per cent each), will cost more than \$2bn. Mr Lavers hopes European and US purchase contracts will be signed early next year, and main construction contracts issued in 1991.

Established as an incorporated company in May with a capital of \$1bn, the LNG project will raise 60 to 70 per cent of its financing through loans. The remaining 30 to 40 per cent will be met by equity participation, a considerable challenge for NNPC.

The country's \$800m Oso gas condensate project has had financing difficulties from the beginning. Leaders of the unincorporated project, in which NNPC has a 60 per cent interest and Mobil 40 per cent, have pledged from the World Bank and its affiliate the IFC, and are hoping to syndicate loans through Morgan Guaranty and the Union Bank of Switzerland.

Negotiations are being held up, however, on the technicality of the joint venture's right to pledge unpledged condensate - legally the property of the Nigerian state - as security against such loans. Again,

funds from NNPC's equity sale could provide greater loan assurance.

While NNPC's petrochemical phase II project appears to be on track, it too has large capital requirements.

Following NNPC's \$2.06bn investment in its joint venture with Shell (it had held 80 per cent and Shell 20 per cent), Shell's portion was increased by 10 per cent, while Elf and Agip each acquired 5 per cent. While the foreign oil partners have expressed satisfaction with their purchase (Agip called it "the deal of the century"), NNPC's loss of 20 per cent of profits from oil lifted by the joint venture has been severely criticised by Nigerians both inside and outside the industry.

The sale was made far too cheaply, critics argued, and had the bid been put to third parties rather than to Shell, Elf, and Agip exclusively, a great deal more money would have been raised. The Petroleum Ministry countered that dollar-per-barrel value comparisons with similar sales elsewhere in the world were invalidated by the high profits accrued through Nigeria's royalty and tax regime.

From either point of view, there are several important advantages to the divestment. In a period of volatile oil markets, NNPC has spread its financial risks. The equity sale to Shell, Elf and Agip has strengthened their commitment to LNG, NNPC's most expensive new project. Under the new joint venture arrangement, NNPC's cash calls have been decreased in proportion to its reduced equity holding. Above all, NNPC is \$2bn richer, and the money will provide much-needed finance for its ambitious, and potentially highly profitable, new ventures.

## WORLD COMMODITIES PRICES

## LONDON MARKETS

**ALUMINIUM** prices eased on the LME yesterday as stocks in LME warehouses rose by 11,400 tonnes. There was talk in the market of further substantial arrivals of metal over the coming weeks. Copper stocks fell by 225 tonnes, contrary to expectations. But with no firm lead from Comex prices closed at the day's low. Comex would need to recover the psychological support level of \$1 a lb for March before London was likely to shake off its generally bearish sentiments, analysts said. Nickel edged ahead - production cuts appear to have halted the major bear trend. On the bull market gold closed unchanged as profit-taking brought it back from the day's high of around \$423 an ounce. Dealers said the lower dollar and weak equity values helped to underpin gold's bullish sentiment.

## SPOT MARKETS

**Crude oil** (per barrel FOB) + or -  
Dubei \$18.00-4.50z +0.10  
Brent Blend \$19.90-9.80z +0.10  
W.T.I. (1m est) \$22.62-2.60z +0.15  
Oil products  
(NWE prompt delivery per tonne CIF) + or -  
Premium Gasoline \$219-221 +2  
Gas Oil \$170-171 +2  
Heavy Fuel Oil \$87-89 -1  
Naphtha \$201-202 -1  
Petroleum Argon Estimates  
Other + or -  
Gold (per troy oz) \$418.75  
Silver (per troy oz) \$324  
Platinum (per troy oz) \$815.15  
Palladium (per troy oz) \$130.85 +0.75

## CRUDE OIL - LONDON F.O.B.

**White** Close Previous High/Low  
Mar 329.20 327.80 331.00 328.40  
Apr 329.20 328.00 331.00 327.00  
May 329.20 328.00 331.00 326.00  
Jun 329.20 328.00 331.00 325.00  
Jul 329.20 328.00 331.00 324.00  
Aug 329.20 328.00 331.00 323.00  
Sep 329.20 328.00 331.00 322.00  
Oct 329.20 328.00 331.00 321.00  
Nov 329.20 328.00 331.00 320.00  
Dec 329.20 328.00 331.00 319.00  
Turnover: 5057 (4184) lots of 5 tonnes  
ICE indicator prices (US cents per barrel) for Jan 28: Oct 28 daily \$2.51 (\$2.55, 15 day average \$2.47 (\$2.50))

## CRUDE OIL - LONDON F.O.B.

**Black** Close Previous High/Low  
Mar 329.20 327.80 331.00 328.40  
Apr 329.20 328.00 331.00 327.00  
May 329.20 328.00 331.00 326.00  
Jun 329.20 328.00 331.00 325.00  
Jul 329.20 328.00 331.00 324.00  
Aug 329.20 328.00 331.00 323.00  
Sep 329.20 328.00 331.00 322.00  
Oct 329.20 328.00 331.00 321.00  
Nov 329.20 328.00 331.00 320.00  
Dec 329.20 328.00 331.00 319.00  
Turnover: 5057 (4184) lots of 5 tonnes  
ICE indicator prices (US cents per barrel) for Jan 28: Oct 28 daily \$2.51 (\$2.55, 15 day average \$2.47 (\$2.50))

## CRUDE OIL - LONDON F.O.B.

**Gas oil** Close Previous High/Low  
Mar 167.50 166.25 171.00 166.50  
Apr 167.50 166.25 171.00 165.50  
May 167.50 166.25 171.00 164.50  
Jun 167.50 166.25 171.00 163.50  
Jul 167.50 166.25 171.00 162.50  
Aug 167.50 166.25 171.00 161.50  
Sep 167.50 166.25 171.00 160.50  
Oct 167.50 166.25 171.00 159.50  
Nov 167.50 166.25 171.00 158.50  
Dec 167.50 166.25 171.00 157.50  
Turnover: 4299 (5432) lots of 100 tonnes

## CRUDE OIL - LONDON F.O.B.

**Gas oil** Close Previous High/Low  
Mar 167.50 166.25 171.00 166.50  
Apr 167.50 166.25 171.00 165.50  
May 167.50 166.25 171.00 164.50  
Jun 167.50 166.25 171.00 163.50  
Jul 167.50 166.25 171.00 162.50  
Aug 167.50 166.25 171.00 161.50  
Sep 167.50 166.25 171.00 160.50  
Oct 167.50 166.25 171.00 159.50  
Nov 167.50 166.25 171.00 158.50  
Dec 167.50 166.25 171.00 157.50  
Turnover: 4299 (5432) lots of 100 tonnes

## COCOA - LONDON F.O.B.

**Close** Previous High/Low  
Mar 829 835 837 827  
Apr 829 835 837 827  
May 829 835 837 827  
Jun 829 835 837 827  
Jul 829 835 837 827  
Aug 829 835 837 827  
Sep 829 835 837 827  
Oct 829 835 837 827  
Nov 829 835 837 827  
Dec 829 835 837 827  
Turnover: 4368 (5307) lots of 10 tonnes  
ICE indicator prices (US cents per pound) for Jan 28: Oct 28 daily \$2.51 (\$2.55, 15 day average \$2.47 (\$2.50))

## COCOA - LONDON F.O.B.

**Close** Previous High/Low  
Mar 829 835 837 827  
Apr 829 835 837 827  
May 829 835 837 827  
Jun 829 835 837 827  
Jul 829 835 837 827  
Aug 829 835 837 827  
Sep 829 835 837 827  
Oct 829 835 837 827  
Nov 829 835 837 827  
Dec 829 835 837 827  
Turnover: 4368 (5307) lots of 10 tonnes  
ICE indicator prices (US cents per pound) for Jan 28: Oct 28 daily \$2.51 (\$2.55, 15 day average \$2.47 (\$2.50))

## COCOA - LONDON F.O.B.

**Close** Previous High/Low  
Mar 829 835 837 827  
Apr 829 835 837 827  
May 829 835 837 827  
Jun 829 835 837 827  
Jul 829 835 837 827  
Aug 829 835 837 827  
Sep 829 835 837 827  
Oct 829 835 837 827  
Nov 829 835 837 827  
Dec 829 835 837 827  
Turnover: 4368 (5307) lots of 10 tonnes  
ICE indicator prices (US cents per pound) for Jan 28: Oct 28 daily \$2.51 (\$2.55, 15 day average \$2.47 (\$2.50))

## COCOA - LONDON F.O.B.

**Close** Previous High/Low  
Mar 829 835 837 827  
Apr 829 835 837 827  
May 829 835 837 827  
Jun 829 835 837 827  
Jul 829 835 837 827  
Aug 829 835 837 827  
Sep 829 835 837 827  
Oct 829 835 837 827  
Nov 829 835 837 827  
Dec 829 835 837 827  
Turnover: 4368 (5307) lots of 10 tonnes  
ICE indicator prices (US cents per pound) for Jan 28: Oct 28 daily \$2.51 (\$2.55, 15 day average \$2.47 (\$2.50))

## COCOA - LONDON F.O.B.

**Close** Previous High/Low  
Mar 829 835 837 827  
Apr 829 835 837 827  
May 829 835 837 827  
Jun 829 835 837 827  
Jul 829 835 837 827  
Aug 829 835 837 827  
Sep 829 835 837 827  
Oct 829 835 837 827  
Nov 829 835 837 827  
Dec 829 835 837 827  
Turnover: 4368 (5307) lots of 10 tonnes  
ICE indicator prices (US cents per pound) for Jan 28: Oct 28 daily \$2.51 (\$2.55, 15 day average \$2.47 (\$2.50))

## COCOA - LONDON F.O.B.

**Close** Previous High/Low  
Mar 829 835 837 827  
Apr 829 835 837 827  
May 829 835 837 827  
Jun 829 835 837 827  
Jul 829 835 837 827  
Aug 829 835 837 827  
Sep 829 835 837 827  
Oct 829 835 837 827  
Nov 829 835 837 827  
Dec 829 835 837 827  
Turnover: 4368 (5307) lots of 10 tonnes  
ICE indicator prices (US cents per pound) for Jan 28: Oct 28 daily \$2.51 (\$2.55, 15 day average \$2.47 (\$2.50))

## COCOA - LONDON F.O.B.

**Close** Previous High/Low  
Mar 829 835 837 827  
Apr 829 835 837 827  
May 829 835 837 827  
Jun 829 835 837 827  
Jul 829 835 837 827  
Aug 829 835 837 827  
Sep 829 835 837 827  
Oct 829 835 837 827  
Nov 829 835 837 827  
Dec 829 835 837 827  
Turnover: 4368 (5307) lots of 10 tonnes  
ICE indicator prices (US cents per pound) for Jan 28: Oct 28 daily \$2.51 (\$2.55, 15 day average \$2.47 (\$2.50))

## COCOA - LONDON F.O.B.

**Close** Previous High/Low  
Mar 829 835 837 827  
Apr 829 835 837 827  
May 829 835 837 827  
Jun 829 835 837 827  
Jul 829 835 837 827  
Aug 829 835 837 827  
Sep 829 835 837 827  
Oct 829 835 837 827  
Nov 829 835 837 827  
Dec 829 835 837 827  
Turnover: 4368 (5307) lots of 10 tonnes  
ICE indicator prices (US cents per pound) for Jan 28: Oct 28 daily \$2.51 (\$2.55, 15 day average \$2.47 (\$2.50))

## LONDON METAL EXCHANGE

**Close** Previous High/Low  
Aluminium 82.7% purity (5 per tonne) 1445-1446 1445-1446 1445-1446  
Copper 1445-1446 1445-1446 1445-1446  
Lead 1445-1446 1445-1446 1445-1446  
Nickel 1445-1446 1445-1446 1445-1446  
Silver 1445-1446 1445-1446 1445-1446  
Zinc 1445-1446 1445-1446 1445-1446  
Turnover: 107 (199) lots of 40 tonnes.

## LONDON METAL EXCHANGE

**Close** Previous High/Low  
Aluminium 82.7% purity (5 per tonne) 1445-1446 1445-1446 1445-1446  
Copper 1445-1446 1445-1446 1445-1446  
Lead 1445-1446 1445-1446 1445-1446  
Nickel 1445-1446 1445-1446 1445-1446  
Silver 1445-1446 1445-1446 1445-1446  
Zinc 1445-1446 1445-1446 1445-1446  
Turnover: 107 (199) lots of 40 tonnes.

## LONDON METAL EXCHANGE

**Close** Previous High/Low  
Aluminium 82.7% purity (5 per tonne) 1445-1446 1445-1446 1445-1446  
Copper 1445-1446 1445-1446 1445-1446  
Lead 1445-1446 1445-1446 1445-1446  
Nickel 1445-1446 1445-1446 1445-1446  
Silver 1445-1446 1445-1446 1445-1446  
Zinc 1445-1446 1445-1446 1445-1446  
Turnover: 107 (199) lots of 40 tonnes.

## LONDON METAL EXCHANGE

**Close** Previous High/Low  
Aluminium 82.7% purity (5 per tonne) 1445-1446 1445-1446 1445-1446  
Copper 1445-1446 1445-1446 1445-1446  
Lead 1445-1446 1445-1446 1445-1446  
Nickel 1445-1446 1445-1446 1445-1446  
Silver 1445-1446 1445-1446 1445-1446  
Zinc 1445-1446 1445-1446 1445-1446  
Turnover: 107 (199) lots of 40 tonnes.

## LONDON METAL EXCHANGE

**Close** Previous High/Low  
Aluminium 82.7% purity (5 per tonne) 1445-1446 1445-1446 1445-1446  
Copper 1445-1446 1445-1446 1445-1446  
Lead 1445-1446 1445-1446 1445-1446  
Nickel 1445-1446 1445-1446 1445-1446  
Silver 1445-1446 1445-1446 1445-1446  
Zinc 1445-1446 1445-1446 1445-1446  
Turnover: 107 (199) lots of 40 tonnes.

## LONDON METAL EXCHANGE

**Close** Previous High/Low  
Aluminium 82.7% purity (5 per tonne) 1445-1446 1445-1446 1445-1446  
Copper 1445-1446 1445-1446 1445-1446  
Lead 1445-1446 1445-1446 1445-1446  
Nickel 1445-1446 1445-1446 1445-1446  
Silver 1445-1446 1445-1446 1445-1446  
Zinc 1445-1446 1445-1446 1445-1446  
Turnover: 107 (199) lots of 40 tonnes.

## Firm start to the new trading account

| FINANCIAL TIMES STOCK INDICES          |        |         |         |         |         |          |                    |                    |                   |
|--|--------|---------|---------|---------|---------|----------|--------------------|--------------------|-------------------|
|  | Jan 22 | Jan 26  | Jan 26  | Jan 24  | Jan 22  | Year Ago | 1989/90            | Since 1968         | Compil. Low       |
| <b>Government Secs</b>                 | 81.77  | 81.64   | 81.80   | 81.08   | 81.24   | 88.57    | 89.29<br>(82/59)   | 81.04<br>(79/119)  | 127.4<br>(91/126) |
| <b>Fixed Interest</b>                  | 90.94  | 90.85   | 91.05   | 91.11   | 91.40   | 97.09    | 98.29<br>(151/169) | 90.85<br>(82/101)  | 105.4<br>(78/173) |
| <b>Ordinary Share</b>                  | 1963.9 | 1961.5  | 1953.5  | 1926.6  | 1859.6  | 1968.4   | 200.6<br>(147/169) | 147.7<br>(93/126)  | 49.4<br>(20/140)  |
| <b>Gold Mines</b>                      | 369.6  | 370.9   | 371.3   | 357.2   | 319.2   | 170.6    | 371.5<br>(251/194) | 154.7<br>(172/189) | 73.47<br>(15/293) |
| <b>FT-SE 100 Share</b>                 | 2328.8 | 2314.4  | 2289.9  | 2276.8  | 2291.1  | 2042.8   | 2483.7<br>(1762.0) | 2483.7<br>(1217.0) | 599.9<br>(231.0)  |
| <b>Ord. Div. Yield</b>                 | 4.60   | 4.62    | 4.66    | 4.67    | 4.65    | 4.41     | 3.45               | 10.0               | 15.0              |
| <b>Earning Yld % (full)</b>            | 11.22  | 11.29   | 11.37   | 11.18   | 11.14   | 11.06    | 10.73              | 10.0               | 15.0              |
| <b>SEAD Ratio (1/16)</b>               | 10.79  | 10.73   | 10.85   | 10.80   | 10.68   | 10.56    | 10.73              | 10.0               | 15.0              |
| <b>SEAD Bargains (Cm)</b>              | 27.39  | 25.83   | 25.267  | 29.917  | 31.022  | 48.993   | 30.262             | 48.993             | 30.262            |
| <b>Equity Turnover (Cm)</b>            | 642.16 | 642.16  | 1093.09 | 1093.09 | 1093.09 | 1128.87  | 1093.09            | 1093.09            | 1093.09           |
| <b>Equity Bargains</b>                 | 29.44  | 29.44   | 25.957  | 29.906  | 29.906  | 29.906   | 29.906             | 29.906             | 29.906            |
| <b>Share Traded (m)</b>                | 472.3  | 472.3   | 472.3   | 472.3   | 472.3   | 472.3    | 472.3              | 472.3              | 472.3             |
| <b>Ordinary Share Index, 12 months</b> | 1867.0 | 1867.0  | 1867.0  | 1867.0  | 1867.0  | 1867.0   | 1867.0             | 1867.0             | 1867.0            |
| <b>Open 1953.3</b>                     | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>FT-SE, Hourly changes</b>           | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>Day's High</b>                      | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>Open 1953.3</b>                     | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>FT-SE, Hourly changes</b>           | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>Day's High</b>                      | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>Open 1953.3</b>                     | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>FT-SE, Hourly changes</b>           | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>Day's High</b>                      | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>Open 1953.3</b>                     | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>FT-SE, Hourly changes</b>           | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>Day's High</b>                      | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>Open 1953.3</b>                     | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>FT-SE, Hourly changes</b>           | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>Day's High</b>                      | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>Open 1953.3</b>                     | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>FT-SE, Hourly changes</b>           | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             | 1965.0            |
| <b>Day's High</b>                      | 1963.2 | 11 a.m. | 1865.5  | 2 p.m.  | 1964.8  | 3 p.m.   | 1965.0             | 1965.0             |                   |

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## LONDON SHARE SERVICE

## BANKS, HP &amp; LEASING

| 1989/90 | High  | Low   | Stock | Price | Div   | Yield | P/E   |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 121     | 121.5 | 121.0 | 121.5 | 121.5 | 121.0 | 121.0 | 121.0 |
| 122     | 122.0 | 121.5 | 122.0 | 122.0 | 121.5 | 121.5 | 121.5 |
| 123     | 123.0 | 122.5 | 123.0 | 123.0 | 122.5 | 122.5 | 122.5 |
| 124     | 124.0 | 123.5 | 124.0 | 124.0 | 123.5 | 123.5 | 123.5 |
| 125     | 125.0 | 124.5 | 125.0 | 125.0 | 124.5 | 124.5 | 124.5 |
| 126     | 126.0 | 125.5 | 126.0 | 126.0 | 125.5 | 125.5 | 125.5 |
| 127     | 127.0 | 126.5 | 127.0 | 127.0 | 126.5 | 126.5 | 126.5 |
| 128     | 128.0 | 127.5 | 128.0 | 128.0 | 127.5 | 127.5 | 127.5 |
| 129     | 129.0 | 128.5 | 129.0 | 129.0 | 128.5 | 128.5 | 128.5 |
| 130     | 130.0 | 129.5 | 130.0 | 130.0 | 129.5 | 129.5 | 129.5 |

## BUILDING, TIMBER, ROADS

| 1989/90 | High  | Low   | Stock | Price | Div   | Yield | P/E   |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 131     | 131.0 | 130.5 | 131.0 | 131.0 | 130.5 | 130.5 | 130.5 |
| 132     | 132.0 | 131.5 | 132.0 | 132.0 | 131.5 | 131.5 | 131.5 |
| 133     | 133.0 | 132.5 | 133.0 | 133.0 | 132.5 | 132.5 | 132.5 |
| 134     | 134.0 | 133.5 | 134.0 | 134.0 | 133.5 | 133.5 | 133.5 |
| 135     | 135.0 | 134.5 | 135.0 | 135.0 | 134.5 | 134.5 | 134.5 |
| 136     | 136.0 | 135.5 | 136.0 | 136.0 | 135.5 | 135.5 | 135.5 |
| 137     | 137.0 | 136.5 | 137.0 | 137.0 | 136.5 | 136.5 | 136.5 |
| 138     | 138.0 | 137.5 | 138.0 | 138.0 | 137.5 | 137.5 | 137.5 |
| 139     | 139.0 | 138.5 | 139.0 | 139.0 | 138.5 | 138.5 | 138.5 |
| 140     | 140.0 | 139.5 | 140.0 | 140.0 | 139.5 | 139.5 | 139.5 |

## CHEMICALS, PLASTICS

| 1989/90 | High  | Low   | Stock | Price | Div   | Yield | P/E   |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 141     | 141.0 | 140.5 | 141.0 | 141.0 | 140.5 | 140.5 | 140.5 |
| 142     | 142.0 | 141.5 | 142.0 | 142.0 | 141.5 | 141.5 | 141.5 |
| 143     | 143.0 | 142.5 | 143.0 | 143.0 | 142.5 | 142.5 | 142.5 |
| 144     | 144.0 | 143.5 | 144.0 | 144.0 | 143.5 | 143.5 | 143.5 |
| 145     | 145.0 | 144.5 | 145.0 | 145.0 | 144.5 | 144.5 | 144.5 |
| 146     | 146.0 | 145.5 | 146.0 | 146.0 | 145.5 | 145.5 | 145.5 |
| 147     | 147.0 | 146.5 | 147.0 | 147.0 | 146.5 | 146.5 | 146.5 |
| 148     | 148.0 | 147.5 | 148.0 | 148.0 | 147.5 | 147.5 | 147.5 |
| 149     | 149.0 | 148.5 | 149.0 | 149.0 | 148.5 | 148.5 | 148.5 |
| 150     | 150.0 | 149.5 | 150.0 | 150.0 | 149.5 | 149.5 | 149.5 |

## DRAPERY AND STORES

| 1989/90 | High  | Low   | Stock | Price | Div   | Yield | P/E   |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 151     | 151.0 | 150.5 | 151.0 | 151.0 | 150.5 | 150.5 | 150.5 |
| 152     | 152.0 | 151.5 | 152.0 | 152.0 | 151.5 | 151.5 | 151.5 |
| 153     | 153.0 | 152.5 | 153.0 | 153.0 | 152.5 | 152.5 | 152.5 |
| 154     | 154.0 | 153.5 | 154.0 | 154.0 | 153.5 | 153.5 | 153.5 |
| 155     | 155.0 | 154.5 | 155.0 | 155.0 | 154.5 | 154.5 | 154.5 |
| 156     | 156.0 | 155.5 | 156.0 | 156.0 | 155.5 | 155.5 | 155.5 |
| 157     | 157.0 | 156.5 | 157.0 | 157.0 | 156.5 | 156.5 | 156.5 |
| 158     | 158.0 | 157.5 | 158.0 | 158.0 | 157.5 | 157.5 | 157.5 |
| 159     | 159.0 | 158.5 | 159.0 | 159.0 | 158.5 | 158.5 | 158.5 |
| 160     | 160.0 | 159.5 | 160.0 | 160.0 | 159.5 | 159.5 | 159.5 |

## BUILDING, TIMBER, ROADS

| 1989/90 | High  | Low   | Stock | Price | Div   | Yield | P/E   |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 161     | 161.0 | 160.5 | 161.0 | 161.0 | 160.5 | 160.5 | 160.5 |
| 162     | 162.0 | 161.5 | 162.0 | 162.0 | 161.5 | 161.5 | 161.5 |
| 163     | 163.0 | 162.5 | 163.0 | 163.0 | 162.5 | 162.5 | 162.5 |
| 164     | 164.0 | 163.5 | 164.0 | 164.0 | 163.5 | 163.5 | 163.5 |
| 165     | 165.0 | 164.5 | 165.0 | 165.0 | 164.5 | 164.5 | 164.5 |
| 166     | 166.0 | 165.5 | 166.0 | 166.0 | 165.5 | 165.5 | 165.5 |
| 167     | 167.0 | 166.5 | 167.0 | 167.0 | 166.5 | 166.5 | 166.5 |
| 168     | 168.0 | 167.5 | 168.0 | 168.0 | 167.5 | 167.5 | 167.5 |
| 169     | 169.0 | 168.5 | 169.0 | 169.0 | 168.5 | 168.5 | 168.5 |
| 170     | 170.0 | 169.5 | 170.0 | 170.0 | 169.5 | 169.5 | 169.5 |

## BUILDING, TIMBER, ROADS

| 1989/90 | High  | Low   | Stock | Price | Div   | Yield | P/E   |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 171     | 171.0 | 170.5 | 171.0 | 171.0 | 170.5 | 170.5 | 170.5 |
| 172     | 172.0 | 171.5 | 172.0 | 172.0 | 171.5 | 171.5 | 171.5 |
| 173     | 173.0 | 172.5 | 173.0 | 173.0 | 172.5 | 172.5 | 172.5 |
| 174     | 174.0 | 173.5 | 174.0 | 174.0 | 173.5 | 173.5 | 173.5 |
| 175     | 175.0 | 174.5 | 175.0 | 175.0 | 174.5 | 174.5 | 174.5 |
| 176     | 176.0 | 175.5 | 176.0 | 176.0 | 175.5 | 175.5 | 175.5 |
| 177     | 177.0 | 176.5 | 177.0 | 177.0 | 176.5 | 176.5 | 176.5 |
| 178     | 178.0 | 177.5 | 178.0 | 178.0 | 177.5 | 177.5 | 177.5 |
| 179     | 179.0 | 178.5 | 179.0 | 179.0 | 178.5 | 178.5 | 178.5 |
| 180     | 180.0 | 179.5 | 180.0 | 180.0 | 179.5 | 179.5 | 179.5 |

## ELECTRICALS

| 1989/90 | High  | Low   | Stock | Price | Div   | Yield | P/E   |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 181     | 181.0 | 180.5 | 181.0 | 181.0 | 180.5 | 180.5 | 180.5 |
| 182     | 182.0 | 181.5 | 182.0 | 182.0 | 181.5 | 181.5 | 181.5 |
| 183     | 183.0 | 182.5 | 183.0 | 183.0 | 182.5 | 182.5 | 182.5 |
| 184     | 184.0 | 183.5 | 184.0 | 184.0 | 183.5 | 183.5 | 183.5 |
| 185     | 185.0 | 184.5 | 185.0 | 185.0 | 184.5 | 184.5 | 184.5 |
| 186     | 186.0 | 185.5 | 186.0 | 186.0 | 185.5 | 185.5 | 185.5 |
| 187     | 187.0 | 186.5 | 187.0 | 187.0 | 186.5 | 186.5 | 186.5 |
| 188     | 188.0 | 187.5 | 188.0 | 188.0 | 187.5 | 187.5 | 187.5 |
| 189     | 189.0 | 188.5 | 189.0 | 189.0 | 188.5 | 188.5 | 188.5 |
| 190     | 190.0 | 189.5 | 190.0 | 190.0 | 189.5 | 189.5 | 189.5 |

## ELECTRICALS—Contd

| 1989/90 | High  | Low   | Stock | Price | Div   | Yield | P/E   |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 191     | 191.0 | 190.5 | 191.0 | 191.0 | 190.5 | 190.5 | 190.5 |
| 192     | 192.0 | 191.5 | 192.0 | 192.0 | 191.5 | 191.5 | 191.5 |
| 193     | 193.0 | 192.5 | 193.0 | 193.0 | 192.5 | 192.5 | 192.5 |
| 194     | 194.0 | 193.5 | 194.0 | 194.0 | 193.5 | 193.5 | 193.5 |
| 195     | 195.0 | 194.5 | 195.0 | 195.0 | 194.5 | 194.5 | 194.5 |
| 196     | 196.0 | 195.5 | 196.0 | 196.0 | 195.5 | 195.5 | 195.5 |
| 197     | 197.0 | 196.5 | 197.0 | 197.0 | 196.5 | 196.5 | 196.5 |
| 198     | 198.0 | 197.5 | 198.0 | 198.0 | 197.5 | 197.5 | 197.5 |
| 199     | 199.0 | 198.5 | 199.0 | 199.0 | 198.5 | 198.5 | 198.5 |
| 200     | 200.0 | 199.5 | 200.0 | 200.0 | 199.5 | 199.5 | 199.5 |

## ELECTRICALS—Contd

| 1989/90 | High  | Low   | Stock | Price | Div   | Yield | P/E   |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 201     | 201.0 | 200.5 | 201.0 | 201.0 | 200.5 | 200.5 | 200.5 |
| 202     | 202.0 | 201.5 | 202.0 | 202.0 | 201.5 | 201.5 | 201.5 |
| 203     | 203.0 | 202.5 | 203.0 | 203.0 | 202.5 | 202.5 | 202.5 |
| 204     | 204.0 | 203.5 | 204.0 | 204.0 | 203.5 | 203.5 | 203.5 |
| 205     | 205.0 | 204.5 | 205.0 | 205.0 | 204.5 | 204.5 | 204.5 |
| 206     | 206.0 | 205.5 | 206.0 | 206.0 | 205.5 | 205.5 | 205.5 |
| 207     | 207.0 | 206.5 | 207.0 | 207.0 | 206.5 | 206.5 | 206.5 |
| 208     | 208.0 | 207.5 | 208.0 | 208.0 | 207.5 | 207.5 | 207.5 |
| 209     | 209.0 | 208.5 | 209.0 | 209.0 | 208.5 | 208.5 | 208.5 |
| 210     | 210.0 | 209.5 | 210.0 | 210.0 | 209.5 | 209.5 | 209.5 |

## ELECTRICALS—Contd

| 1989/90 | High  | Low   | Stock | Price | Div   | Yield | P/E   |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 211     | 211.0 | 210.5 | 211.0 | 211.0 | 210.5 | 210.5 | 210.5 |
| 212     | 212.0 | 211.5 | 212.0 | 212.0 | 211.5 | 211.5 | 211.5 |
| 213     | 213.0 | 212.5 | 213.0 | 213.0 | 212.5 | 212.5 | 212.5 |
| 214     | 214.0 | 213.5 | 214.0 | 214.0 | 213.5 | 213.5 | 213.5 |
| 215     | 215.0 | 214.5 | 215.0 | 215.0 | 214.5 | 214.5 | 214.5 |
| 216     | 216.0 | 215.5 | 216.0 | 216.0 | 215.5 | 215.5 | 215.5 |
| 217     | 217.0 | 216.5 | 217.0 | 217.0 | 216.5 | 216.5 | 216.5 |
| 218     | 218.0 | 217.5 | 218.0 | 218.0 | 217.5 | 217.5 | 217.5 |
| 219     | 219.0 | 218.5 | 219.0 | 219.0 | 218.5 | 218.5 | 218.5 |
| 220     | 220.0 | 219.5 | 220.0 | 220.0 | 219.5 | 219.5 | 219.5 |

## ENGINEERING—Contd

| 1989/90 | High  | Low   | Stock | Price | Div   | Yield | P/E   |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 221     | 221.0 | 220.5 | 221.0 | 221.0 | 220.5 | 220.5 | 220.5 |
| 222     | 222.0 | 221.5 | 222.0 | 222.0 | 221.5 | 221.5 | 221.5 |
| 223     | 223.0 | 222.5 | 223.0 | 223.0 | 222.5 | 222.5 | 222.5 |
| 224     | 224.0 | 223.5 | 224.0 | 224.0 | 223.5 | 223.5 | 223.5 |
| 225     | 225.0 | 224.5 | 225.0 | 225.0 | 224.5 | 224.5 | 224.5 |
| 226     | 226.0 | 225.5 | 226.0 | 226.0 | 225.5 | 225.5 | 225.5 |
| 227     | 227.0 | 226.5 | 227.0 | 227.0 | 226.5 | 226.5 | 226.5 |
| 228     | 228.0 | 227.5 | 228.0 | 228.0 | 227.5 | 227.5 | 227.5 |
| 229     | 229.0 | 228.5 | 229.0 | 229.0 | 228.5 | 228.5 | 228.5 |
| 230     | 230.0 | 229.5 | 230.0 | 230.0 | 229.5 | 229.5 | 229.5 |

## ENGINEERING—Contd

| 1989/90 | High  | Low   | Stock | Price | Div   | Yield | P/E   |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 231     | 231.0 | 230.5 | 231.0 | 231.0 | 230.5 | 230.5 | 230.5 |
| 232     | 232.0 | 231.5 | 232.0 | 232.0 | 231.5 | 231.5 | 231.5 |
| 233     | 233.0 | 232.5 | 233.0 | 233.0 | 232.5 | 232.5 | 232.5 |
| 234     | 234.0 | 233.5 | 234.0 | 234.0 | 233.5 | 233.5 | 233.5 |
| 235     | 235.0 | 234.5 | 235.0 | 235.0 | 234.5 | 234.5 | 234.5 |
| 236     | 236.0 | 235.5 | 236.0 | 236.0 | 235.5 | 235.5 | 235.5 |
| 237     | 237.0 | 236.5 | 237.0 | 237.0 | 236.5 | 236.5 | 236.5 |
| 238     | 238.0 | 237.5 | 238.0 | 238.0 | 237.5 | 237.5 | 237.5 |
| 239     | 239.0 | 238.5 | 239.0 | 239.0 | 238.5 | 238.5 | 238.5 |
| 240     | 240.0 | 239.5 | 240.0 | 240.0 | 239.5 | 239.5 | 239.5 |

## ENGINEERING—Contd

|     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
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| 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 | 174 |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-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| MINES—Contd         |               |       |           |            |      |           |
|---------------------|---------------|-------|-----------|------------|------|-----------|
| 1989/90<br>High Low | Stock         | Price | + or<br>- | Dis<br>Nat | C'nt | '91<br>6m |
| 9d                  | 90Tanjong 15p | 90p   |           |            |      |           |

|        |        |                      |        |        |      |         |
|--------|--------|----------------------|--------|--------|------|---------|
| 247    | 69     | Angley Mining 9p. Y  | 157    |        |      |         |
| 166    | 18     | Do. Warrants         | 85     |        |      |         |
| 52 1/2 | 12     | Anglo-Dominion       | 15     |        |      |         |
| 70 1/2 | 38 1/2 | Gold Mt. Gold        | 61 1/2 | +      |      |         |
| 64     | 25     | Butte Mining 10p. Y  | 54     | +1     |      |         |
| 50     | 19 1/2 | McElroy Res. Corp.   | 30     | 3      |      |         |
| 12 1/2 | 8 1/2  | Cons. March. 10c     | 110    | +2     | Q300 | 5.5 6.9 |
| 78     | 4      | DRX Inc.             | 16     | -1     |      |         |
| 27 1/2 | 13 1/2 | Ennex Int. Ir. 10p.  | 22     | -2 1/2 |      |         |
| 120    | 68     | Euro. Minerals 2p. Y | 85     | -2     | N10  | 1.6     |

|      |     |                      |   |        |   |         |     |     |  |
|------|-----|----------------------|---|--------|---|---------|-----|-----|--|
| 121% | 360 | Greenwich            | Y | 41     | - |         |     |     |  |
| 113% | 540 | Whitcomb Gold Mines  |   | \$9.17 | - | \$200   |     | 1.1 |  |
| 5%   | 55  | Proctor Mining SI    |   | \$3.30 | - | Q200    |     | 0.9 |  |
| 47%  | 26  | McKenzie             | Y | 42     | - |         |     |     |  |
| 28%  | 14  | McFinley Red Lake    |   | 15     | - |         |     |     |  |
| 35%  | 14  | North Sabine Res CSI |   | 34     | - |         |     |     |  |
| 39%  | 25  | Northgate CSI        |   | 100    | - |         |     |     |  |
| 30%  | 40  | Wor-Orest Res        |   | 46     | - |         |     |     |  |
|      | 40  | ERTZ 10p             |   | 52     | - | \$15.00 | 3.3 | 3.8 |  |

### THIRD MARKET

| 1989/90 | High | Low | Stock                    | Price | + or - | Div Mt | Curr | Yld | P/E  |
|---------|------|-----|--------------------------|-------|--------|--------|------|-----|------|
| 100     |      |     | 74 ASB Barnett 2b...v    | 74    | .....  | 1.0    | 4.8  | 1.8 | 14.7 |
| 15 1/2  |      |     | 26 Amercor Energy 10p..v | 4 1/2 | .....  |        |      |     |      |
| 30      |      |     | 23 Analysis Hldgs Op...v | 24    | .....  |        |      |     |      |
| 8 1/2   |      |     | 53 Andrus & B...10p      | 5 1/2 | .....  |        |      |     |      |

|     |     |                    |     |     |     |      |
|-----|-----|--------------------|-----|-----|-----|------|
| *2  | 14  | American Oil Ind.  | 14  |     |     |      |
| 14  | 0   | Bartman Hdg. Co.   | 18  |     |     | 34.8 |
| 36  | 27  | Blackland Oil 10p. | 36  | +2  |     | -    |
| 42  | 11  | Burmin Exploration | 18  |     |     | -    |
| 220 | 215 | Cafe Inns Cl.      | 220 |     |     | 39.5 |
| *28 | 17  | Caldwell Inv.      | 23  |     |     | 9.6  |
| *25 | 10  | Casper Oil 10p.    | 13  |     |     | *    |
| 135 | 61  | Chesapeake Sp.     | 88  |     |     |      |
| *50 | 20  | ChemEx Int'l.      | 23  | 1.0 | 1.5 |      |
| 25  | 17  | Courtyard Lts.     | 17  |     |     | 7.3  |

|     |                             |      |       |     |         |
|-----|-----------------------------|------|-------|-----|---------|
| 234 | 13 Edinbrough Letam Sp. y   | 25   |       |     |         |
| 72  | 30 Edinbrough Htb 2b. y     | 18   | 40.38 | 5.1 | 3.4 6.1 |
| 113 | 50 Edinbrough Expt. b 5b. y | 35   |       |     |         |
| 30  | 20b. Wrrmts. y              | 14   |       |     |         |
| 65  | 11 Far East Res 10b. y      | 11-2 |       |     |         |
| 125 | 115 Fast Forward Ins.       | 125  |       |     |         |
| 45  | 23 Feltrim Min 10.20. y     | 45a  |       |     |         |
| 55  | 35 Glencair Exptn. y        | 210  |       |     |         |
| 330 | 135 Haemocell 1p. y         | 43   |       |     |         |

|     |     |                      |   |    |   |     |     |     |      |
|-----|-----|----------------------|---|----|---|-----|-----|-----|------|
| 132 | 12  | Honorific Group 50   | ✓ | 14 |   |     |     |     | ✓    |
| 130 | 120 | Hoskins Brewery 50p  | ✓ | 75 |   |     |     |     | 7.6  |
| 105 | 35  | Intercare Group 2:2p | ✓ | 75 |   |     |     |     | 15.4 |
| 23  | 9   | Intl Comm & Data Sp. | ✓ | 17 |   |     |     |     | -    |
| 41  | 12  | Intermia West        | ✓ | 24 | ✓ |     |     |     | -    |
| 104 | 58  | Jells Mins. 15p      | ✓ | 53 |   | 1.5 | 1.8 | 6.1 | 12.0 |
| 22  | 3   | Jemp I.P.E. 15p      | ✓ | 53 |   |     |     |     | 7.0  |
| 105 | 8   | Kromographic Lp.     | ✓ | 8  |   |     |     |     | -    |
| 22  | 79  | GW 50                | ✓ | 79 |   | 2.0 | 3.6 | 3.4 | 11.1 |

|        |     |                        |                  |    |       |     |     |      |
|--------|-----|------------------------|------------------|----|-------|-----|-----|------|
| 50     | 36  | Malaya Group 10p...    | 43               | -1 | 12.0  | 3.4 | 6.2 | 6.3  |
| 9      |     | Malayan Fire Ins...    | 43               | -1 |       |     |     |      |
| 90     | 25  | Owoca Gold IR 2p...    | 56               | -1 |       |     |     |      |
| 25     |     | Spennant Grp 2p...     | 17               |    | 0.2   | 1.6 |     |      |
| 10p    |     | 20                     | Poddington Sp... | 63 | -2    |     |     |      |
| 120    | 100 | Ramsden's (Harry)      | 108              | -2 | R4 5  | 1.1 | 5.7 | 21.3 |
| 172    | 53  | Renzaminster Sp...     | 58               |    | 21.85 | 2.8 | 4.4 | 11.0 |
| 235    | 150 | Royal Sovereign 10p... | 225              |    | 115 5 | 3.2 | 3.2 | 12.8 |
| 21 1/2 | 11  | Scott Pickford 10p...  | 22               |    | 40.36 | 3.8 | 4.2 | 8.1  |

|     |                         |     |    |      |     |     |      |
|-----|-------------------------|-----|----|------|-----|-----|------|
| 39  | 20 Sleepy Kids 5p       | 27  |    |      |     |     |      |
| 174 | 5 State Hldgs. 5p       | 51  |    |      |     |     | 13.0 |
| 234 | 14 Seward Studios 1p    | 34  |    |      |     |     | 7.2  |
| 11  | 24 Sports Connection 2p | 1   |    |      |     |     | 3.9  |
| 55  | 28 Tavern Lett. 20p     | 89  | -1 |      |     |     |      |
| 113 | 28 Tarnow Loez 20p      | 89  | -3 |      |     |     | 33.9 |
| 113 | 55 UPL Group 10p        | 55  |    | 2.75 | 1.9 | 6.7 | 10.4 |
| 150 | 128 Unit Magic 1p       | 131 |    | 5.0  | 3.3 | 5.1 | 7.5  |
| 100 | 66 Video Map Lett. 1p   | 87  |    | W2.0 | 0.7 | 3.1 | 69.8 |

|        |                            |        |      |   |     |   |
|--------|----------------------------|--------|------|---|-----|---|
| 46 1/4 | 23 Atlantic Leisure 20p. y | 47 1/2 | 0.25 | 0 | 0.8 | 0 |
| 32 1/2 | 100da Wrms..... y          | 20 1/2 | -1   | 1 | 1   | 1 |
| 10 1/4 | 4 1/2 Hflton Group 1p. y   | 4 1/2  |      | 1 | 1   | 1 |

**NOTES**

Stock Exchange dealing classifications are indicated to the right.  
 f security names: a Alpha, b Beta, y Gamma.  
 Unless otherwise indicated, prices and net dividends are in pence and denominated in £25. Estimated prices/samings ending .00

possible, are updated on half-yearly figures. P/E's are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable. Bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but excluding estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow

Highs and lows marked thus have been adjusted to allow for rights issues for cash  
interim since increased or resumed  
interim since reduced, passed or deferred  
Tax-free to non-residents on application  
Figures or report awaited  
Not officially UK listed; dealings permitted under rule 535(4)(a)  
USM; not listed on Stock Exchange and company not

Price at time of suspension  
indicated dividend after pending scrip and/or rights issue;  
cover relates to previous dividend or forecast.  
Merger bid or reorganisation in progress  
Not comparable  
Same Interim; reduced final and/or reduced earnings  
indicated  
Forecast dividend; cover on earnings updated by latest  
interim statement.

Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.  
No par value

a Earnings based on preliminary figures. b Dividend and yield exclude a special payment. c Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. d Forecast, or estimated annualized dividend rate, cover based on previous year's earnings. y Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C

A Prospectus of other official estimates for 1960-89. B Assumed dividend and yield after pending scrip and/or rights issue. M Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, lower and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecasts: annualised dividend.

**REGIONAL & IRISH STOCKS**  
The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

|                  |       |               |         |
|------------------|-------|---------------|---------|
| Wig & Rose £1.10 | 830   | Arnots        | 405     |
| Wiley Pkg. 5p    | 57 +1 | Carrol (P.J.) | 162 -3  |
| Wk (Wes) 25p     | 1348  | Hall IR & H J | 190     |
|                  |       | Hutton Higgs  | 180     |
|                  |       | IFG           | 285     |
|                  |       | United Drug   | 161 1/2 |

### IRISH

|                    |         |
|--------------------|---------|
| 10.84% La 1991     | £96 1/2 |
| 10.84% Cap Ln 1996 | £95 1/2 |
| 10.13% 97/02       | £114    |

| TRADITIONAL OPTIONS |    |                      |
|---------------------|----|----------------------|
| 3-month call rates  |    |                      |
|                     |    | P & O Dtd..... 51    |
|                     |    | Polly Peck..... 38   |
|                     |    | Racal Elect..... 20  |
| Industrials         | p  | Reed Intgl..... 39   |
| Illed-Lyons.....    | 41 | Rank Org Ord..... 72 |
|                     |    | Reed Intgl..... 74   |

|    |                   |     |
|----|-------------------|-----|
| 67 | Seas...           | 48  |
| 64 | SmKt Beecham A... | 48  |
| 47 | TL...             | 38  |
| 30 | TSS...            | 9   |
| 37 | Tesco...          | 16  |
| 23 | Thorn EMI...      | 63  |
| 20 | Trust Houses...   | 23  |
| 39 | T&N...            | 161 |
| 46 | Unilever...       | 57  |
| 22 | Victors...        | 22  |

|          |    |                 |    |
|----------|----|-----------------|----|
| nm Union | 31 | <b>Property</b> |    |
| surveys  | 48 | Brit Land       | 27 |
| uranne   | 65 | Control Soc.    | 5  |
| uranne   | 8  | Land Securities | 45 |
| uranne   | 22 | IEPC            | 45 |
| uranne   | 92 | Mounting        | 13 |
| uranne   | 19 |                 |    |
| uranne   | 69 |                 |    |
| uranne   | 44 | <b>Oils</b>     |    |
| uranne   | 18 |                 |    |
| uranne   | 49 |                 |    |

|                |    |                  |        |
|----------------|----|------------------|--------|
| Person         | 18 | Burmal Oil       | 65     |
| Walter Slick   | 55 | Charterhall      | 25     |
|                | 90 | Conroy Petroleum | 9      |
| Guar           | 85 | Greiner          | 18 1/2 |
| Brook          | 25 | Shell            | 37     |
| Gal & Gen      | 31 | Tusker Res.      | 12     |
| Service        | 26 | Ultramar         | 28 1/2 |
| Coys Bank      | 24 |                  |        |
| Gas Inds.      | 16 |                  |        |
| arks & Spencer | 16 |                  |        |

**Mines**

This service is available to every Company dealt in on Stock  
exchanges throughout the United Kingdom for a fee of £1050 per  
annum for each security.

| Test | Expt. | Std | Offer + by | Yield |
|------|-------|-----|------------|-------|
|------|-------|-----|------------|-------|

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## Money Market Bank Accounts

## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Sterling's attractions increase

STERLING LOOKED an attractive alternative in routine and subdued foreign exchange trading yesterday. There were no strong factors influencing the dollar or D-Mark, and the exchanges took a more favourable view of the pound.

This was partly the result of the narrower than feared UK current account deficit in December, but it may have also reflected the recent move out of other high yielding currencies, such as the Canadian and Australian dollars.

This increased demand for sterling at a time when UK interest rates will remain high and the trade position is showing signs of improving, according to Mr John Major, the UK Chancellor. The pound is also regarded as a reasonably safe currency as the turmoil continues in Eastern Europe and the Soviet Union.

The possibility of an improving UK economic situation, yield differentials in favour of London and a stable political background helped the pound rise 2.20 cents to \$1.6588. It also climbed to DM2.8200 from DM2.8050, to ¥240.25 from ¥237.25, to Sfr2.4925 from Sfr2.4800, and to FF9.5750 from FF9.5250. According to the Bank of England sterling's index advanced 0.4 to 88.5.

The Canadian dollar was slightly firmer, after recent intervention by the Bank of Canada to support the currency and last week's reversal of the downward trend in the Canadian bank rate. At the close in London the US dollar had eased to C\$1.1880 from C\$1.1940.

The Australian dollar also had a slightly better day, rising to 76.35 US cents at the London close, from 76.00 cents on Friday. Earlier in Sydney trading was quiet, with the Australian dollar finishing at 76.25 cents. It fell from a peak of 76.55 cents, on reports of Japanese selling.

Recent indications have pointed to Japanese investors moving out of the high yielding Canadian and Australian dollars, as interest rates supporting both currencies have tended to ease.

The US dollar lost ground to the D-Mark, but was little

changed against the Japanese yen. There were no fresh factors, but speculation about an easing of the Federal Reserve's monetary policy weighed on the dollar. Publication of the proposed US budget for the next financial year had little impact.

The dollar fell to DM1.6795 from DM1.6930; to Sfr1.4950 from Sfr1.4975; to ¥143.15 from ¥143.30. On Bank of England figures the dollar's index fell to 86.7 from 87.1.

Members of the European Monetary System traded quietly, with all currencies holding within their agreed divergence limits. The Italian lira remained the strongest EMS currency. The lira was steady against the D-Mark, but rose to an 18-month high against the dollar at the Milan fixing. The dollar was fixed at L1.555.30 on Friday.

## FINANCIAL FUTURES AND OPTIONS

## LIFTS LONG PUT FUTURES OPTIONS

| Strike | Call | Settlement | Put  | Settlement |
|--------|------|------------|------|------------|
| 92     | 0.45 | 0.45       | 0.45 | 0.45       |
| 91     | 0.45 | 0.45       | 0.45 | 0.45       |
| 90     | 0.45 | 0.45       | 0.45 | 0.45       |
| 89     | 0.45 | 0.45       | 0.45 | 0.45       |
| 88     | 0.45 | 0.45       | 0.45 | 0.45       |
| 87     | 0.45 | 0.45       | 0.45 | 0.45       |
| 86     | 0.45 | 0.45       | 0.45 | 0.45       |
| 85     | 0.45 | 0.45       | 0.45 | 0.45       |
| 84     | 0.45 | 0.45       | 0.45 | 0.45       |
| 83     | 0.45 | 0.45       | 0.45 | 0.45       |
| 82     | 0.45 | 0.45       | 0.45 | 0.45       |

Estimated volume total, Calls 2675 Puts 886  
Previous day's open, Calls 2450 Puts 1250

## LIFTS LONG PUT FUTURES OPTIONS

| Strike | Call | Settlement | Put  | Settlement |
|--------|------|------------|------|------------|
| 92     | 0.45 | 0.45       | 0.45 | 0.45       |
| 91     | 0.45 | 0.45       | 0.45 | 0.45       |
| 90     | 0.45 | 0.45       | 0.45 | 0.45       |
| 89     | 0.45 | 0.45       | 0.45 | 0.45       |
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Previous day's open, Calls 2450 Puts 1250

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## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on Page 41

**NASDAQ NATIONAL MARKET**

## AMEX COMPOSITE PRICES

4pm prices  
January 29[illegible]

**Have your  
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## AMERICA

## Early rally fizzles out on round of programme sales

## Wall Street

AFTER a brief attempt to rally at the opening, the equity market started drifting lower again in low volume, writes Janet Bush in New York.

The Dow Jones Industrial Average closed 5.85 points lower at 2,553.38 on volume of only 151m shares. At one stage, the index had stood more than 25 points lower but then recovered swiftly in the final hour of trading. Other key indices were also lower.

The Standard & Poor's 500 was quoted modestly lower while secondary stocks continued to come under selling pressure. The Nasdaq Composite index was quoted more than 3 points lower at the close.

The early buying, which took the Dow about 10 points higher, was a continuation of the rally during afternoon trading on Friday, which had erased a loss of about 30 points to leave the Dow only 1.81 points lower at the close at 2,559.23. But the small rally,

which came on the heels of better performances in Tokyo and London, soon fizzled out.

The market was then driven lower by a round of programme sales. Chances of a recovery from its recent sharp fall appear slim while the Treasury bond market remains in the doldrums.

The bond market yesterday failed to rebound at all from its slump on Friday, and the yield on the benchmark long bond rose to 8.54 per cent in late trading. A combination of rising yields in the bond market and poor corporate earnings has left the equity market reeling.

The Dow would only have to fall about another 5 points from yesterday's close to record the worst January since 1960, when it lost 8.5 per cent.

There are a number of hurdles to be cleared this week including tomorrow's announcement of the details of next month's quarterly refunding and Friday's January employment release.

Ray Jewelers fell 1 1/4 to 14 1/4 as takeover speculation

surrounding the stock faded. Raters of Britain denied rumours on Friday that it was prepared to make a \$25 a share bid.

Di Giorgio fell 2 1/4 to 32 1/4. Mr Arthur Goldberg, the investor, extended his tender offer of \$30 a share until Wednesday. The offer had been due to expire last Friday.

Pfizer added 1/4 to 68 1/4 after the Food and Drug Administration approved the drug Fluconazole which treats two AIDS-related fungal infections.

## Canada

LIGHT trading in Toronto saw stock prices finish lower for the fourth consecutive session, dragged down mainly by media and transportation stocks.

The 300 composite index ended 11.20 lower at 3725.52, as declines outnumbered advances 363 to 235. Volume fell to 19,233,000 shares, worth C\$243.2m, from Friday's 30,895,000 shares, worth C\$401.2m.

## Europe tiptoes on an East-West tightrope

By William Cochrane

## MARKETS IN PERSPECTIVE

|                    | % change in local currency † |         |         | % change<br>starting ‡ | % change<br>in US \$ ‡ |
|--------------------|------------------------------|---------|---------|------------------------|------------------------|
|                    | 1 Week                       | 4 Weeks | 1 Year  | Start of<br>1990       | Start of<br>1990       |
| Austria .....      | -0.76                        | +15.11  | +98.38  | +15.11                 | +14.88                 |
| Belgium .....      | -4.22                        | -4.32   | -0.123  | -4.32                  | -6.21                  |
| Denmark .....      | -2.82                        | -1.23   | +26.43  | -1.23                  | -3.26                  |
| Finland .....      | +2.72                        | +8.13   | +2.01   | +8.13                  | +7.04                  |
| France .....       | -2.34                        | -5.68   | +13.70  | -5.68                  | -7.50                  |
| Sw. Germany .....  | +0.96                        | +4.59   | +32.23  | +4.59                  | +7.78                  |
| Ireland .....      | -1.24                        | +6.70   | +32.67  | +6.70                  | +4.61                  |
| Italy .....        | -2.26                        | -1.59   | +8.92   | -1.59                  | -3.54                  |
| Netherlands .....  | -1.79                        | -6.34   | +6.71   | -6.34                  | -6.59                  |
| Norway .....       | -0.36                        | +5.56   | +29.02  | +5.56                  | +3.81                  |
| Spain .....        | -2.72                        | -6.78   | -2.67   | -6.78                  | -9.40                  |
| Sweden .....       | -1.01                        | +0.24   | +26.54  | +0.24                  | +1.71                  |
| Switzerland .....  | -3.32                        | -3.85   | +14.51  | -3.85                  | -3.60                  |
| UK .....           | -0.90                        | -4.03   | +13.06  | -4.03                  | -1.94                  |
| EUROPE .....       | -1.23                        | -3.16   | +14.86  | -3.16                  | -4.41                  |
| Australia .....    | +0.87                        | +2.73   | +12.48  | +2.73                  | -3.79                  |
| Hong Kong .....    | -0.58                        | -2.84   | -7.35   | -2.84                  | -5.41                  |
| Japan .....        | +0.46                        | -6.62   | +6.08   | -6.62                  | -8.78                  |
| Malaysia .....     | -1.76                        | -1.29   | +46.55  | -1.29                  | -4.07                  |
| New Zealand .....  | -2.78                        | -3.38   | +1.95   | -3.38                  | -6.11                  |
| Singapore .....    | -2.17                        | +1.19   | +28.61  | +1.19                  | +0.76                  |
| Canada .....       | -3.50                        | -5.52   | +4.07   | -5.51                  | -10.76                 |
| USA .....          | -4.01                        | -7.84   | +10.31  | -7.84                  | -8.33                  |
| Mexico .....       | -1.23                        | +1.57   | +137.44 | +1.57                  | +10.29                 |
| South Africa ..... | +2.19                        | +8.69   | +53.19  | +8.69                  | +14.64                 |
| WORLD INDEX .....  | -1.41                        | -5.91   | +9.49   | -5.91                  | -7.37                  |

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## EUROPE

## Bourses call a halt to three-week downtrend

CONTINENTAL bourses seemed ready to call a halt to their downward slide on Friday, but the rally was short-lived, writes Frankfurter Staff.

FRANKFURT liked the news that East Germany would hold its first free elections two months earlier than planned. After a 1.14 rise to 768.15 in the FAZ index at mid-session, the DAX rose to 1741.1 higher at 1,811.55. Volume passed from DM7.7bn to DM6.9bn.

The renewed focus on Eastern European prospects gave Metallgesellschaft a rise of DM18.50 to DM47.50. In growing activity by Japanese country funds, Hoechst led a belated rally in chemicals with a rise of DM6.40 to DM285.30. Siemens was the most actively traded stock, in turnover of DM938m, and headed the international blue chip winners with a gain of DM11.70 to DM738.20. It benefited from strong demand for call options on the newly formed Deutsche Telekom, where Siemens calls were the most actively traded instrument on the futures market's first two days of operations.

Disappointments on the day included Deutsche Bank, held to a DM2 gain at DM516 on rumours of a rights issue; and Klockner Werke, which is said to be asking British Steel for a high price for its Mannesmann subsidiary and which fell DM1.50 to DM256.50.

Among other banking shares, Dresdner Bank climbed DM5 to DM418. The state court in Frankfurt accepted the appeal of a small shareholder and declared invalid Dresdner's so-called conditional voting right limitation, an anti-takeover defence.

KHD, the machinery group, rose DM5.50 to DM255.50 after a report that Deutsche Babcock plans to acquire a 41 per cent stake from Deutsche Bank and Allianz. Babcock, which is to omit its 1989 dividend because of a sharp drop in earnings, rose DM4.30 to DM206.30.

ZURICH took its lead from Frankfurt, saw buying develop and the Credit Suisse index rose 3.5 to 588.5.

Ascom, the telephone maker, rose Sfr25 to Sfr3,050 as it expected to maintain its 1989

profits in spite of significant restructuring costs; but Sulzer, the machinery group, closed unchanged at Sfr5.17, although it expected markedly higher profits for last year.

PARIS nudged higher in quiet, narrow-range trading, with the oil sector displaying the strongest signs of life. Wall Street's firm opening helped the CAC 40 index gain 17.95 to 1,904.71, near the day's highs. Turnover was estimated at less than FF2.25bn.

Elf Aquitaine, the state-controlled oil company, gained FF16 to FF566 on hopes of healthy 1989 earnings due today. One salesman predicted a 26 per cent rise in net profits; he said that investors saw the stock, which lagged the market last year, as a cheap source of value in an uncertain world.

Higher long-term expectations for oil prices also gave a fillip to energy shares. BP France added FF11.60, or 6.7 per cent, to FF183.50. Raffinage gained FF11.20 to FF195.20 and Total-CFF rose FF18 to FF527.

Some shares that declined at

the end of last week improved, with Michelin, the tyre company, up FF6 to FF283. Peugeot FF9 higher at FF759 and Saint-Gobain rising FF5 to FF588.

Dumez, the building company, which received an analyst's buy recommendation yesterday, rose FF28 to FF484.

AMSTERDAM slipped from its high for the day at Wall Street let go of some of its opening gain. Turnover was light as the CBS tendency index added 0.5 to 111.6.

Among blue chips, Royal Dutch gained 50 cents to F1139.20, after an early loss of 70 cents. Philips, the electronics group, added 30 cents to F142.90; at the weekend, it said it was discussing F1450m worth of joint ventures and orders in Eastern Europe. Nedlloyd rose 40 cents to F182.30 after Friday's news that it had signed a letter of intent with two Japanese companies for the construction of two container ships, at a cost of more than F100m each.

MADRID was a little firmer after last week's declines, as the general index picked up 1.34 to 377.85. Construction stocks saw the best improvement, with Urbis up 11 percent to 397.19, which became the second bank to move on to the continuous, computerised market, slipped Pta175 to Pta220. Santander, which was the first bank to move, eased Pta10 to Pta530.

BRUSSELS was preoccupied with interest rate fears and shares ended mixed. The cash market index rose 44.98 to 6248.5.

Aceac-Union Minière, the non-ferrous metals arm of Société Générale de Belgique, the holding company, fell BFr70, or 4.8 per cent, to BFr5,340 after the parent company denied speculation that it was negotiating the sale of a stake to RTZ, the UK-based mining group.

Hoboken, which is being merged into Aceac-UM, also fell heavily, ending BFr650, or 2.9 per cent, lower at BFr21,550. Both it and Aceac-UM had risen sharply on Friday as a result of the speculation.

Société Générale advanced BFr90, or 2.7 per cent, to BFr3,460 in lively trade, with solid foreign interest now that restructuring is complete.

STOCKHOLM prices closed an average 1.7 per cent down as almost all financial business in Sweden was halted by a lock-out of 50,000 bank employees involved in a wage dispute. Total turnover amounted to a tiny SKr15m and the Affarsvärden general index shed 16.1 to 1,217.8.

COPENHAGEN saw more interest in the telephone companies which enlivened last week's trading, and shares in this sector again moved higher. But interest rate worries surfaced and the bourse index edged up 0.44 to 362.65.

OSLO advanced with support from oil prices and a strong economic outlook. The all-share index rose 3.61 to 564.58. HELSINKI eased in very thin trade as a ban on inter-bank payments limited trade on the bourse. The Unitas all-share index fell 4.3 to 664.

## ASIA PACIFIC

## Nikkei rebounds above 37,000

## Tokyo

CONTINUING CALM on the bond market and the firmness of the yen helped to give share prices a strong boost, but volume remained paltry, writes Michio Nakamoto in Tokyo.

Index-linked buying supported a rise in the Nikkei average above the 37,000 level for the first time in four days. It closed at 37,173.70, up 299.93. During the day, it moved between a low of 36,912.51 and a high of 37,224.79. Advances led declines by 583 to 334, while 203 issues were unchanged.

Turnover, at 430m shares, was extremely thin even compared with recent levels and much lower than the 623m traded on Friday. The Topix index of all listed stocks gained 25.61 to 2,736.76 and in London trading, the ISE/Nikkei 50 index rose 3.08 to 2,058.15.

The yen's rise against the dollar did its part to encourage buying, particularly from new index-linked funds. Dealer activity, aimed at lifting spirits at the start of trading for February, was another factor behind the rebound.

While the rise in the Nikkei appeared to indicate an improvement in market sentiment, the low volume revealed that investors remained as cautious as they have been for the past few weeks.

"The market reflects the uncertainty in the minds of most fund managers," said Mr Masao Fujita, senior manager

of the Capital Markets Trading Department at Sanwa Bank. Investors were finding it very difficult to see where the yen was heading and, in turn, what the market faced in coming weeks, he said.

Most people were not ready to sell at present levels, as prices were beginning to look cheap. Many investors expected a run, supported by frantic dealer activity, before the national elections in February, Mr Fujita said.

It was also likely, however, that the market would see profit-taking towards the end of March as institutional investors looked to close their books at that time, he said.

The uncertainty was reflected in a switch in market focus. Electricals, which had been favoured last week for their good business growth prospects, suffered profit-taking. Hitachi lost Y10 to Y1,590 and Pioneer Y70 to Y6,050.

On the other hand, steels and heavy industry stocks, which had been dumped in view of the rising interest rates, gained as investors felt that prices had reached attractive levels. Nippon Steel topped the volumes list with 11.9m shares and added Y8 to Y709, while Kawasaki Steel followed with 10.7m shares and a gain of Y28 to Y806.

Reports that the US was pushing for greater financial deregulation in Japan boosted financial issues, with Industrial Bank of Japan up Y190 to Y5,700.

Mixed trading took the OSE average in Osaka moderately higher to 37,936.43, up 82.62. Volume fell to 59m shares from the 63.6m traded on Friday.

## Roundup

THE PHILIPPINES and New Zealand both advanced in thin trade, reflecting the closure of Sydney for Australia Day, and Hong Kong, Singapore and Taiwan for the lunar new year.

MANILA firmed during a late buying spree, reflecting a delayed reaction to the arrest of a rebel leader following last month's failed military coup. The composite index rose 17.75 to 1,065.92, with combined turnover on the two bourses falling to 63m pesos from Friday's 66m pesos in spite of a doubling of volume to 804m from 401m shares traded.

WELLINGTON trade was very quiet, with the Barclays index rising 6.69 to 1,940.38 on turnover of only 1.4m shares worth NZ\$2.4m, compared with Friday's 5.5m and NZ\$3m.

SAKATA turnover was high, mainly because 20m shares in Semen Cibanong, the cement group, changed hands. The stock fell 1,150 rupiah to 9,550 rupiah as the company floated 14m shares yesterday in the second of two issues. Turnover totalled a busy 20.49m shares and the index put on 6.83 to 441.25.

SEOUL sank below the 900 mark on the composite index in thin trading. The index shed 8.43 to 887.32.

## FT-ACTUARIES WORLD INDICES

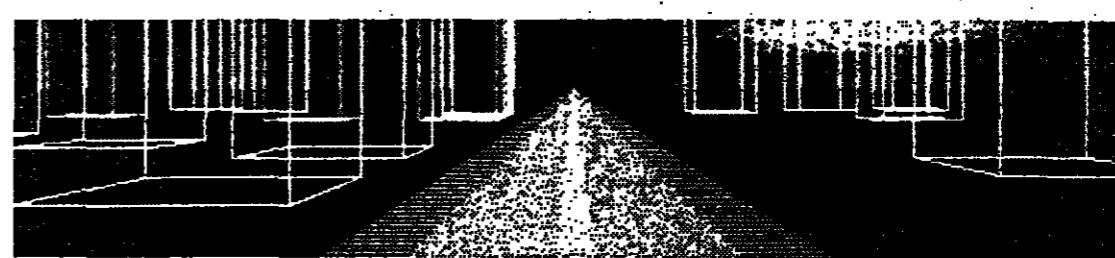
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| NATIONAL AND REGIONAL MARKETS                             | MONDAY JANUARY 29 1990 | FRIDAY JANUARY 26 1990 | DOLLAR INDEX         |
|---|------------------------|------------------------|----------------------|
| Figures in parentheses show number of stocks per grouping | US Dollar Index        | Pound Sterling Index   | Local Currency Index |
| Australia (84)  | 150.07                 | +0.3                   | 132.55               |
| Austria (19)  | 217.39                 | +3.9                   | 192.02               |
| Belgium (61)  | 130.57                 | +1.1                   | 132.89               |
| Canada (120)  | 139.76                 | +0.2                   | 123.44               |
| Denmark (36)  | 243.75                 | +1.3                   | 215.30               |
| Finland (25)  | 147.71                 | +0.9                   | 133.07               |
| France (126)  | 150.60                 | +2.1                   | 133.02               |
| West Germany (96)   | 127.02                 | +1.7                   | 112.19               |
| Hong Kong (48)  | 113.72                 | -0.1                   | 100.45               |
| Ireland (17)  | 196.53                 | +0.7                   | 173.59               |
| Italy (60)  | 98.82                  | +1.1                   | 87.11                |
| Japan (455)   | 167.18                 | +1.2                   | 165.33               |
| Malaysia (36)   | 225.81                 | +0.0                   | 199.45               |
| Mexico (13)   | 332.03                 | +0.8                   | 293.28               |
| Netherlands (63)  | 163.68                 | +0.4                   | 120.89               |
| New Zealand (18)  | 70.01                  | +0.7                   | 61.84                |
| Norway (24)   | 215.28                 | +1.0                   | 190.15               |
| Singapore (26)  | 182.49                 | +0.2                   | 161.18               |
| South Africa (60)   | 231.14                 | +0.4                   | 204.16               |
| Spain (43)  | 154.78                 | +1.2                   | 127.07               |
| Sweden (35)   | 195.13                 | +0.6                   | 172.55               |
| Switzerland (62)  | 94.69                  | +1.6                   | 83.64                |
| United Kingdom (308)                                      | 159.39                 | +1.9                   | 140.79               |
| USA (542)   | 131.55                 | -0.2                   | 116.19               |
| Europe (889)  | 142.18                 | +1.7                   | 125.57               |
| Nordic (121)  | 161.65                 | +1.0                   | 164.17               |
| Pacific Basin (67)  | 183.03                 | +1.1                   | 161.67               |
| Euro-Pacific (155)  | 166.87                 | +1.3                   | 147.40               |
| North America (652)                                       | 131.95                 | -0.2                   | 116.54               |
| Europe Ex. UK (683)                                       | 130.37                 | +1.5                   | 115.15               |
| Pacific Ex. Japan (112)                                   | 133.22                 | +1.2                   | 127.67               |
| World Ex. US (1849)                                       | 166.55                 | +1.3                   | 147.20               |
| World Ex. UK (2085)                                       | 152.53                 | +0.7                   | 134.73               |
| World Ex. So. Af. (2331)                                  | 152.65                 | +0.8                   | 134.83               |
| World Ex. Japan (1990)                                    | 137.09                 | +0.6                   | 121.09               |
| The World Index (2391)                                    | 163.12                 | +0.8                   | 135.25               |

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Further information: Arnold Rustemeyer, 25 Hurst Way, South Croydon, Surrey CR2 7AP. Tel: (01) 688 95 41. Fax: (01) 6 8100 69  
DEUTSCHE MESSE AG, HANNOVER